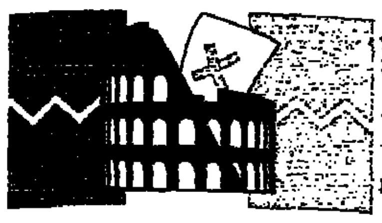

Fault lines
North v South in Italy's election
Page 15

GE Capital
Still growing, still buying
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NOVELL NOVELL NOVELL

Software wars
Novell adds WordPerfect
Page 21

Drugs R&D
Survival of the fastest
Separate Section

FINANCIAL TIMES

Europe's Business Newspaper — WEDNESDAY MARCH 23 1994 — D8523A

Ciskei 'homeland' leaders cede power amid unrest

The government of Ciskei, a nominally independent black homeland in South Africa, relinquished power after widespread unrest. South African troops moved in after Ciskei leader Brigadier Oupa Gqozo asked for help from Pretoria. In the Lebowa black homeland, the chief minister also requested assistance after a strike by civil servants made it impossible to keep control.

South Korea increases alert: South Korea put its military forces on increased alert for a possible attack by North Korea as international pressure intensified on Pyongyang to allow nuclear inspections. Page 16

Spielberg film scoops the Oscar pool

Holocaust drama *Schindler's List* swept the board at the Academy Awards in Los Angeles, winning seven Oscars for Steven Spielberg (left), including best director and best film. It was Spielberg's first Oscar success after a string of box-office hits. Tom Hanks won the best actor award for his role in *Philadelphia*, the first mainstream film dealing with Aids, and Holly Hunter was named best actress for her portrayal of a mute woman in *The Piano*.

Visa forms 'electronic purse' consortium: Visa International has formed a global consortium to develop common specifications for an "electronic purse" card which could be used instead of cash. Page 18

Italian spending overshoots target: The Italian government said spending in 1994 was liable to overshoot the budget target by L14,800bn ($8.8bn). Page 16

US rocks shipbuilding talks: An unexpected shift of position by the US has thrown into disarray international negotiations aimed at reducing shipbuilding subsidies. Page 4

Renault Véhicules Industriels, commercial vehicles subsidiary of the French state-owned automotive group, suffered a net loss of FFr1.4bn ($230m) last year compared with one of FFr1.62bn in 1992. Page 20

Mideast talks move to Cairo: Israeli and Palestinian negotiators are to meet again today in Cairo, having failed during two days of talks in Tunis to agree conditions for resuming talks on Palestinian autonomy. Page 6

French TV maker back in profit: Thomson Consumer Electronics, French television manufacturer, returned to the black after three years of losses. Page 17

Air France sells CSA stake: The Czech authorities said they had agreed to buy back Air France's minority stake in CSA, the Czech airline, for $27m. Page 17

Hoechst, the German chemicals concern, reported an "insignificant" rise in operating profits in the first two months of this year. Page 17

Crédit Lyonnais to be restructured: French economy minister Edmond Alphandéry confirmed that the government plans to restructure Crédit Lyonnais, the loss-making bank, by injecting capital and floating part of its property loans into a state-controlled shell company. Page 17; Lex, Page 16

Jardine Fleming secured its position at the top of Hong Kong's merchant banking league with a 166 per cent rise in 1993 net earnings to US$302m. Page 22

Investment in India up eightfold: Foreign investment in India is estimated to have risen eightfold in the last 12 months to about $5bn, far above the government's targets. Page 6

US cigarette tax may rise: A US health committee voted to raise the tax on cigarettes by $1.25 a packet to help pay for a reform of the country's healthcare system. If agreed by Congress, the rise could produce $16m a year. Page 7

US trade deficit sharply up: The US trade deficit in goods and services rose sharply to $6.3bn in January against $4.1bn in December, the Commerce Department said. Page 7

Sainsbury to open French drinks store: UK supermarket chain Sainsbury is to open a drinks outlet in Calais to offer its own-brand drinks at lower French prices.

STOCK MARKET INDICES

FT-SE 100:	3201.5	(+3.5)
Yield	3.78	
FT-SE Eurotrack 100	1438.48	(+1.77)
FT-SE-A All-Share	1617.05	(+0.0%)
Nikkei	20,253.53	(-215.92)
New York lunchtime:		
Dow Jones Ind Ave	3866.29	(+1.44)
S&P Composite	468.66	(+0.12)

US LUNCHTIME RATES

Federal Funds:	3⅛%
3-mo Treas Bills: Yld	3.653%
Long Bond	91½
Yield	6.925%

LONDON MONEY

3-mo Interbank	5¼%	(same)
Liffe long gilt future:	Mar 110⅔	(Mar 110⅛)

NORTH SEA OIL (Argus)

Brent 15-day (May)	$ 14.0	(13.775)

Gold

New York Comex (Apr)	$389.5	(386.3)
London	$389.25	(386.2)

STERLING

New York lunchtime:		
$	1.4885	
London:		
$	1.4862	(1.4845)
DM	2.5094	(2.5203)
FFr	8.5769	(8.5897)
SFr	2.125	(2.134)
Y	157.545	(157.788)
£ Index	80.3	(80.4)

DOLLAR

New York lunchtime:		
DM	1.686	
FFr	5.7615	
SFr	1.42805	
Y	105.95	
London:		
DM	1.6885	(1.6979)
FFr	5.771	(5.7862)
SFr	1.4298	(1.4375)
Y	106.005	(106.29)
$ Index	66.3	(66.5)

Tokyo close Y 105.95

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11		
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30		
Bulgaria	Lw25.00	Iceland	Ikr215	Neth	Fl 4.00	Slovak Rp	KSL50		
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00		
Czech Rp	CZK50	Israel	Shk6.80	Norway	NKr17.00	Spain	Pta225		
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16		
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30		
Finland	FM14	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00		
France	FFr9.00	Kuwait	Fils625	Poland	Zl 32,000	Tunisia	Din1.500		
Germany	DM3.50	Lebanon	US$1.50	Portugal	Es225	Turkey	L13000	UAE	Dh12.00

No compromise as Anglo-Spanish proposals for rule changes are shunned

EU states fail to break deadlock on voting rights

By Lionel Barber and David Gardner in Brussels and Kevin Brown in London

- Time running out for EU image Page 2
- MPs warn of fresh civil war over Europe Page 10

European Union foreign ministers yesterday failed to resolve their dispute over voting rights in an expanded Union, as the UK and Spain ran into a wall of opposition to their demands for changes to the rules.

Three sets of Anglo-Spanish proposals aimed at protecting the ability of large member states to block decisions were rejected at a meeting of foreign ministers in Brussels, and neither side offered to compromise.

The stalemate, which threatens to delay the entry of Finland, Sweden, Austria and Norway into the Union, prompted Mr Douglas Hurd, UK foreign secretary, to appeal to his EU partners and his own British cabinet colleagues for flexibility.

Mr John Major, UK prime minister, raised the stakes in the dispute by warning that Britain would not be moved by "phoney threats to delay enlargement".

Using language which contrasted sharply with Mr Hurd's calls for flexibility, Mr Major delivered a strong warning that the government was determined not to give way.

"There is ample time to complete the enlargement process," Mr Major said in the House of Commons. "If there is delay it will be because certain other member states, two in particular, have taken an inflexible and doctrinaire line," he said.

The prime minister's office said Mr Major's remarks were aimed at Belgium and the Netherlands, which he believed had blocked agreement in spite of the willingness of the other eight member states to settle on terms acceptable to Britain and Spain.

Mr Hurd, who appeared uncomfortable with Britain's hard-line stand in the enlargement negotiations, said in Brussels that time was running out for a compromise. "Agreement requires movement by everybody."

Mr Pieter Kooijmans, Dutch foreign minister, reflecting widespread frustration with British and Spanish brinkmanship, said: "We are now in a crisis. That is because they cannot present any compromise as a victory for themselves."

Mr Alain Juppé, French foreign minister, said Anglo-Spanish demands would make decision-making in a Union of 16 member states more difficult. "We want enlargement with a reinforcement of the European Union's powers."

Hopes of a face-saving compromise rest on a deal being reached at a meeting of EU foreign ministers in Greece this weekend. Mr Klaus Kinkel, German foreign minister, and Mr Javier Solana, Spanish foreign minister, said they were not optimistic about a breakthrough.

The UK and Spain are seeking to maintain voting rules which allow two large member states and one small one to muster 23 votes to block decisions. But all other states want to raise the minority blocking threshold to 27 votes to take account of the entry of the Nordic and Alpine countries.

EU diplomats said the UK and Spain proposed three formulas to safeguard their position. These included raising the blocking minority to 25 votes, a UK proposal; making it impossible to outvote countries representing more than 100m people; and adding a legally binding Anglo-Spanish protocol to the Maastricht treaty which would allow countries mustering 23 votes to postpone decisions indefinitely.

Ministers from the applicant countries warned in Brussels yesterday that already tepid support for EU membership could cool further. "This gives the impression that things are not handled rationally here," said Mr Pertti Salolainnen, Finnish foreign trade minister.

Spanish foreign minister Javier Solana: not optimistic about a breakthrough — Associated Press

Federal Reserve signals rate rise

By Michael Prowse in Washington, Frank McGurty in New York and Our Markets Staff

The Federal Reserve yesterday moved to slow the rate of US economic growth by signalling a modest increase in short-term interest rates to 3.5 per cent.

Bond and share prices rose following the announcement, which came during a jittery day on Wall Street as traders waited anxiously for a decision on rates from the Fed's policy-making open market committee which met yesterday in Washington.

After the meeting, Mr Alan Greenspan, Fed chairman, issued a short statement saying the committee had decided "to increase slightly the degree of pressure on reserve positions. This action is expected to be associated with a small increase in short-term money market rates".

Analysts immediately interpreted this as a sign that the new target for the federal funds rate – the cost of overnight money for banks – would be raised to 3.5 per cent.

The Fed's move was in line with market expectations and followed a quarter point increase in the fed funds rate to 3.25 per cent on February 4. The February rate increase was the first in five years and led to a sharp increase in long bond yields to nearly 7 per cent because analysts interpreted it as the first in a series of tightening moves.

Speculation that the Fed would tighten policy again reached fever pitch last Friday after President Bill Clinton called Mr Greenspan to the White House for a discussion of economic trends. The White House, which believes there is little risk of higher inflation, said it has not tried to influence the Fed's decision.

By raising rates again, the Fed evidently hoped to calm nerves in bond markets by showing that it was serious about preventing the economy overheating and thus averting a rise in inflation next year or in 1996.

Most analysts expect the Fed to continue to raise rates until they reach a "neutral" level perceived to be at least 4 to 5 per

Continued on Page 16
Government bonds, Page 23

Russia and IMF in deal on $1.5bn loan

By John Lloyd and Reuter in Moscow

The Russian government and the International Monetary Fund have come to an agreement making it likely that Russia will receive $1.5bn from the IMF soon, Mr Michel Camdessus, IMF managing director, said last night.

The announcement, made after hours of talks with the Russian prime minister, Mr Viktor Chernomyrdin, and weeks of tortuous negotiations, fell short of the final deal and vote of confidence in its economic policy that Russia had hoped for.

The loan was delayed because of Moscow's failure to cut spending.

But Mr Camdessus was quick to cushion the blow of the delay, commending "the efforts of the Russian government aimed at achieving economic stability and fighting inflation".

Mr Alexander Khandruyev, deputy chairman of the Russian central bank, said earlier that the government team at the negotiations had promised the IMF to get monthly inflation down to 7 per cent by end-1994. Monthly inflation fell to 9.9 per cent in February from January's 22 per cent.

At a news conference delayed for several hours, Mr Camdessus outlined a plan for putting lending to Russia back on track.

A policy programme to be submitted shortly would serve as the basis for an agreement between the IMF and Russia on the second drawing under the so-called systemic transformation facility, Mr Camdessus said.

This document would then be submitted to the IMF board for approval, clearing the way for the new funds.

"It's only a matter of a very few weeks," Mr Camdessus said. This should be followed by negotiations on a full stand-by loan for Russia.

Mr Camdessus said a draft 1994 budget submitted to parliament this month provided a sound foundation for Russia to continue its anti-inflationary policy.

The talks with the IMF have been nervously watched by Russia's western creditors, owed some $80bn.

Russian officials say the government, frozen into inaction since the success of hardliners and conservatives in December's parliamentary polls and the resignations of key reformers, had failed to convince the IMF that its budget was realistic. The draft budget envisages a deficit of 62.4 trillion roubles ($36bn) or 9 per cent of gross domestic product.

News of the loan agreement came as allegations of a coup plot against Mr Boris Yeltsin and of his own failing health were being denied.

Mr Chernomyrdin said speculation on Mr Yeltsin's health was "insulting". According to Mr Yeltsin's press service, the Russian president has been officially sick for more than four weeks this year, and is still recuperating.

Mr Chernomyrdin had missed a meeting with Mr Camdessus on Monday to fly to the Black Sea resort of Sochi for unscheduled talks with Mr Yeltsin in the midst of a furore of allegations that a group of highly placed officials were prepared to strip Mr Yeltsin of power and name Mr Chernomyrdin as his successor.

Japan records worst annual economic growth since 1974

By William Dawkins in Tokyo

Japan's gross domestic product rose by only 0.1 per cent last year, the economy's worst performance since 1974, just after the first oil price shock.

The figures, announced by the government yesterday, follow a 2.2 per cent decline in the final quarter of 1993 compared with the same period in 1992. This fall was not as severe as the market had expected.

Private sector economists in Tokyo said the quarterly drop might be the bottom of an economic downturn which has lasted since mid-1991, the longest since the second world war. GDP rose by a revised 1.1 per cent in 1992, down from 4.3 per cent in the previous year.

The Economic Planning Agency, the government's official economic forecaster, was cautious yesterday.

There were bright signs, such as an increase in personal consumption, but it was too early to say whether the recession had come out of the trough, said Mr Tsutomu Tanaka, the agency's vice-minister. The EPA's caution is understandable, given the criticism it attracted early last year, when it declared an upturn which proved to be wrong.

"This is at least the end of the decline, but there is still no sign of an upturn because of a continued decline in investment in plant and equipment and the strength of the yen," said Mr Hirohiko Okumura, chief economist at Nomura Research Institute. "I am prepared to bet this is the bottom of the cycle," said Mr Jim Vestal, chief economist at Barclays de Zoete Wedd in Tokyo.

Mr Kozo Watanabe, acting secretary-general of the Japan Renewal party, which is the main influence on government economic policy, believed the economy would recover in the second half of this year to stabilise at a growth rate of about 3 per cent for the rest of the decade.

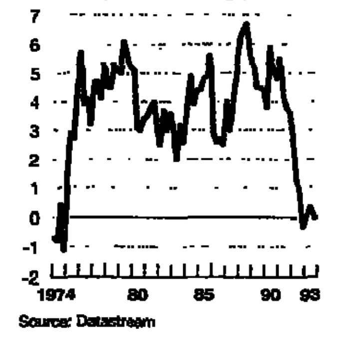
However, analysts warned that recovery prospects could be damaged by the political impasse over the 1994 budget, which may delay extra government spending and income tax cuts. Recent increases in Japan's long-term interest rates could also hamper recovery, warned Ms Mineko Sasaki-Smith, senior economist at Morgan Stanley in Tokyo.

Personal consumption rose by

Continued on Page 16

Japan

Real GDP (annual % change)



Source: Datastream

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Chief adviser has finger on pulse

UK visitors are the bread and butter

NEWS: EUROPE

Waigel pours scorn on SPD's tax plan

By Quentin Peel in Bonn

Mr Theo Waigel, the German finance minister, yesterday denounced the tax reform plans of the opposition Social Democrats as wrongly calculated and grossly extravagant, claiming they would lead to substantial tax increases for the great majority of taxpayers.

Seizing on the opposition plans for a fairer redistribution of taxation to pay for the cost of German unification, Mr Waigel plunged into the first real controversy of Germany's marathon election campaign with a welter of statistics, designed to terrify the country's property-owning middle classes, as well as average income-earners.

He said the new spending plans outlined in the election platform of the Social Democratic party (SPD) would add around DM60bn (£23.3bn) to the government's annual DM480bn budget, and prove impossible to finance from the present level of taxes and social insurance contributions.

SPD plans for a 10 per cent income tax surcharge on the better paid, instead of the current 7.5 per cent surcharge on all taxpayers, would have to begin at income levels of DM44,000 a year to produce the same revenues, he declared. The SPD hopes of levying the surcharge on taxable incomes of DM50,000 for single earners, and DM100,000 for married couples, would leave a DM6bn shortfall.

He also singled out the SPD plans for increased taxation on property and savings as likely to add another burden of at least DM10bn on property-owners. "It wants to punish the top performers of our society through a considerable tightening of the tax system, although the top 10 per cent of taxpayers already pay more than 50 per cent of tax," Mr Waigel said.

Mr Waigel's predictable intervention reflects the delight of the ruling liberal-conservative coalition in Bonn at the potential electoral dynamite in the SPD tax plans, in spite of the fact that they are intended to be neutral in their overall effect.

Mr Rudolf Scharping, the SPD leader, admitted yesterday that his presentation of the plans last week might have been mistaken, by failing to make clear that the 10 per cent surcharge would affect taxable incomes of DM50,000 and above, not gross incomes. The result has been a barrage of press criticism, and concern in his own party ranks, that the plans would affect many average income-earners.

He insisted that more than 80 per cent of all taxpayers would actually be relieved of the present planned 7.5 per cent "solidarity surcharge", and fewer than 20 per cent be forced to pay the higher rate.

As for increased wealth taxes, he said they would not be increased across-the-board, and would exempt private pension and life insurance policies, as well as business property. He also promised a review of the present tax on interest incomes, which has caused a huge flight of capital from Germany to neighbouring Luxembourg.

Mr Waigel said the SPD's proposals would drive investors to deposit billions of marks in foreign tax havens, undermining economic growth in Germany.

"What the SPD is presenting is an employment programme for Monaco, perhaps for Liechtenstein and parts of Switzerland, but certainly not for Germany," he said.

Time running out for EU image

The protracted enlargement voting dispute has a political price, writes David Gardner

The European Union's festering internal row over voting rights if it opens its doors to Austria, Sweden, Finland and Norway risks destroying already muted Euro-enthusiasm among the electorates of the applicant countries, all of which have to submit EU membership to a referendum.

The four putative newcomers have agreed hard-bargained entry terms. But their ministers now have to turn up in Brussels on an almost weekly basis, waiting in their embassies or hotels on the off-chance that the UK and Spain and their 10 partners can decide on how many countries should be entitled to block Euro-laws.

EU foreign ministers again failed to resolve this dispute yesterday, at the fourth time of asking.

Mr Douglas Hurd, the UK foreign secretary, increasingly uncomfortable with the hand he has been dealt, acknowledged yesterday that "there is time pressure". "We are well aware of the time-scale, but agreement requires movement by everybody," he said.

Mr Dick Spring, the Irish foreign minister, summed up well the mood of the EU majority, when he warned that Europe's reputation was being seriously damaged. "We are showing that we can't do our business properly, and we are creating a bad impression among the electorates of the applicant countries," he said.

UK foreign secretary Douglas Hurd refuses to be pushed Reuter

A senior official from Finland – the only applicant country which as of now has near majority opinion in favour of Europe – said: "We have to cut this off now and get on with the [membership] process."

In the minds of all the negotiators, there is concern that the deadline for the four to enter in January next year is slipping away. In the minds of some, there is fear that this deadline is not academic – that it could cause a fatal loss of political momentum which could turn Nordic and Alpine voters against Europe, and that the Union would take a long time to recover from such self-inflicted wounds.

Deadlines on the Uruguay Round, on the European Economic Area free trade zone, and on previous enlargements, were missed without final mishap. The formal deadline at issue here is May 4, by when the European parliament must approve the accession treaty.

It says firmly it will not if the UK and Spain get their way in making it more difficult for the EU to take decisions. British and Spanish ministers profess to believe that if they can get a legal text on enlargement to parliament by about April 5, along with a compromise on majority voting which leans their way, EU expansion can go ahead as planned.

But there is more to reckon with. Senior parliament officials already say that even if the argument on voting rights goes their way, they doubt that the Strasbourg assembly – up for re-election in June – would be willing or able to deliver approval in time. Many MEPs will be absent campaigning; about half are set to lose their seats and may not turn up; up to a third never turn up anyway.

The parliament received important new powers, including that of veto, under the Maastricht treaty, and resents the way the member states continue to treat it as a talking shop. The Socialist and Christian Democrat apparatchiks who control the Euro-assembly definitely hold a whip hand on enlargement, and are in a mood to demonstrate they are nobody's rubber-stamp. But the longer the votes debate goes on, the less likely it is that parliaments in the 10 member states who oppose leaving the "blocking minority" on decision-making unchanged will endorse ratification.

Already Belgium and Holland have said that they will not get through a bill which enshrines quasi-veto powers for countries such as the UK.

"The longer you leave it, the more people are going to speak up on the other side," a Dutch diplomat warned yesterday. "And then you have a real political crisis."

France warns student rioters

By David Buchan in Paris and John Ridding in Toulouse

The Balladur government yesterday asked teachers to keep their students off the streets where they have been contesting a youth wage law and warned that if they did not, serious injuries might result.

But students in the south-eastern city of Lyons yesterday held their fourth demonstration in less than a week against the law. In its final version published yesterday, it permits employers to pay unskilled young people 80 per cent of the national minimum wage for working 80 per cent of a normal 39-hour work week, with the other 20 per cent devoted to training. The government's aim is to make France's jobless young, numbering some 800,000 now, more employable.

Dozens of protesters have been arrested demonstrating against the measures in the past week and at least 19 have been sentenced in court to up to six months in jail.

During three days of demonstrations in Lyons, capped by pitched battles on Monday, 35 policemen were injured and 73 people detained.

In Nantes, 21 policemen were injured when about 300 young people broke away from an estimated 4,000 protesters and fought for more than four hours with police.

Mr Mr Charles Pasqua, the interior minister, warned students not to let themselves be manipulated by left-wing politicians and unions, adding: "It is the young people who will pay the price."

It was, in fact, an earlier version of the law, allowing employers to pay the same reduced wages to young people with university diplomas, that ignited the student revolt which has rumbled on despite the law's revision. Ex-president Valéry Giscard d'Estaing, leader of the UDF party in the government coalition, yesterday criticised "the clumsy presentation" of the law, saying that its original version was "discouraging" to students.

Mr Michel Giraud, the labour minister, yesterday promised "early initiatives to help the country's youth. He said that he and prime minister Edouard Balladur had been "incensed" by what he called "the political exploitation" of students' fears by trade unions and the Socialist and Communist parties.

But in Toulouse, a city with 100,000 students and the highest university population outside Paris, this political connection was discounted.

Professor Robert Marconis, a teacher at Toulouse-Le Mirail university, said that, in contrast to 1968 when students seized control of part of Paris for nearly a month, "French students are more discouraged than politicised – more likely to be found reading L'Equipe [a sports paper] than Le Monde". But he added: "This is dangerous for the government because it is hard to know how to deal with it."

Croats and Serbs fail to agree Krajina ceasefire

By Laura Silber in Zagreb

The Croatian government and Serbs from the breakaway Croatian republic of Krajina yesterday failed to agree on a ceasefire which would start paving the way for an eventual peace treaty between Croatia and Serbia.

Talks in the Russian embassy in Zagreb, the Croatian capital, will continue today. They represent the highest level meeting for many months between the two sides, as well as the first attempt by the Russians to broker a ceasefire aimed at ending the three-year-old conflict between Serbs and Croats. The talks, hosted by Mr Vitaly Churkin, Russia's special envoy to the former Yugoslavia, coincided with threats by Mr Franjo Tudjman, the president of Croatia, to use military force to assert control over Krajina.

The Krajina Serbs, backed by the Yugoslav army in June 1991, waged a war of secession against Croatia's moves towards independence.

The Serbian side called for Croatian troops to withdraw from Krajina, a swathe of territory which cuts across south-west Croatia.

For its part, the Croatians insisted on asserting their authority over the region. Any substantial compromises, particularly by the Serbs would gradually lead to the gradual suspension of sanctions on Serbia.

Mr John Mills, the UN spokesman, yesterday called the closed-door meetings "detailed and purposeful". But he warned of a "growing impatience in the international community for solutions to be found in the regions".

Previous UN attempts to forge a settlement on the status of the Serbs in Croatia have failed. A ceasefire in January 1992, which called for the return of hundreds of thousands of refugees, was violated one year later when Croat forces pushed across UN lines.

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EUROPEAN NEWS DIGEST

British Steel to boycott talks

British Steel is to boycott a key meeting tonight between the European Commission and big European steel producers because it believes the Commission is taking too soft a line on state subsidies. British Steel has become exasperated about state subsidies following the heavily criticised December agreement under which state-owned producers in Spain, Germany and Italy received government subsidies worth Ecu6.8bn (£5.14bn) in return for capacity cuts of more than 5m tonnes.

Today's meeting is to discuss the progress of plans by non-aided producers in making voluntary cuts in capacity to help the industry reduce losses. The Commission has told private steelmakers that an Ecu240m fund to ease the cost of redundancies will be withdrawn unless the steel companies come up with the capacity cuts by April.

Mr Martin Bangemann, industry commissioner, wants a further 2m-3m tonnes cuts in hot-rolled product capacity on top of 13m tonnes cuts already delivered and 4m tonnes promised. Mr Heinz Kriwet, chairman of Thyssen, the German steel producer, will also not attend today's meeting because of "scheduling difficulties". *Andrew Baxter*

Three accused of insider trading

The first test of the Netherlands' 1989 insider-trading law began yesterday with the trial in Amsterdam of three Dutch investors and a brokerage house. The defendants – Mr Joep van den Nieuwenhuyzen, Mr Eric Albada Jelgersma and Mr Leon Melchior – sold more than 4m shares in HCS, a computer company in which they were the main private shareholders, on July 31, 1991, the morning after they had met the company's bankers to discuss a Fl 127.5m rescue plan.

Prosecutors say the shares were sold to depress HCS's share price in the expectation that the lower price would be used several days later to fix the price of a private share placement in which the three would participate. The defendants deny that a firm decision had been taken on the private placement. HCS, which later launched a rights issue, was declared bankrupt in 1992. *Ronald van de Krol, Amsterdam.*

Brandenburg coalition falls

The tripartite centre-left coalition which has ruled Brandenburg since 1990 collapsed yesterday, amid allegations that Mr Manfred Stolpe, the state premier, had contacts with the east German Stasi. The Social Democratic party had threatened to oust the Alliance 90 party from the coalition unless its leader withdrew charges that Mr Stolpe had lied about his connections with the former secret police. Alliance 90 leader Mr Günter Nooke said he would not retract his comments. The

Stolpe: Stasi accusation splinters coalition

Social Democrats and the Free Democrats will now run a minority government until state elections on September 11. However, the two Alliance 90 ministers yesterday said they would quit their party and stay with the two-party coalition, which has 41 of the 88 seats in the state parliament. *Michael Lindemann, Bonn.*

Talks 'mishap' sparks cod row

Denmark and Sweden have clashed over Baltic cod quotas following Sweden's accession negotiations with the European Union. Under the agreement, Sweden's share of the cod quota will rise from 35 to 40 per cent. Fishermen on the Danish island of Bornholm are urging Denmark to vote against Swedish EU membership unless they renounce the extra 5 per cent. But Mr Carl Bildt, the Swedish prime minister, said: "A deal is a deal." The extra quota was awarded to Sweden in the final, hectic phase of the negotiations, unknown to Danish negotiators. "It was a technical mishap," said Mr Niels Helveg Petersen, the Danish foreign minister. *Hilary Barnes, Copenhagen.*

More Finns favour joining EU

Support for joining the European Union has strengthened in Finland since accession terms were agreed in Brussels earlier this month. A poll in yesterday's Helsingin Sanomat newspaper showed the "yes" vote rising to 42 per cent from 39 per cent last month, while opposition slipped to 27 per cent from 30 per cent. A referendum on joining is expected in September. In Norway, where the opposition is still well ahead, a poll showed support for the anti-EU Centre party had surged by 5.4 percentage points to 20.9 per cent since Norway reached its EU accession accord. *Hugh Carnegy, Stockholm*

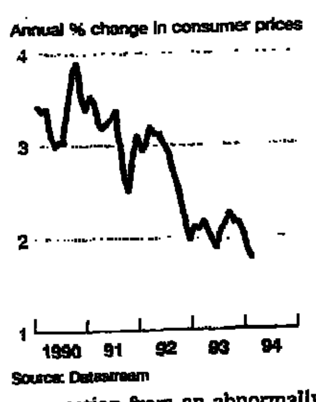
Hungary sees record trade gap

Hungary's current account saw a record deficit of $3.45bn or 9 per cent of gross domestic product in 1993, but Mr Peter Bod, president of the National Bank of Hungary, said yesterday the shortfall was an indicator of economic recovery and forecast growth of 3-4 per cent in 1994. Exports, hit by drought, Yugoslav sanctions and German recession, fell 17 per cent in 1993. *Nicholas Denton, Budapest.*

ECONOMIC WATCH

Jobs outlook poor, says minister

France: inflation



Source: Datastream

Forecast French economic growth of 1.4 per cent this year was "not enough" to make an appreciable dent in unemployment, Mr Edmond Alphandéry, the economics minister, said yesterday, but he believed the recovery "could be more vigorous than foreseen". Commenting on yesterday's price and trade figures, the minister said the 0.3 per cent rise in consumer prices in February showed France had little to fear from renewed inflation. The fall in the trade surplus to FFr2.7bn (£300m) in January was only a correction from an abnormally high surplus of FFr13.2bn in December. Exports rose at 4 per cent a year from October 1993 to January 1994, compared to a 3.6 per cent growth in imports.

■ The German social security budget reached a record DM1,063bn (£413bn) in 1993, equivalent to a third of the total budget, although spending on social security in eastern Germany fell to 70 per cent of GNP from 73.1 in 1992.

■ Russia's grain harvest is forecast to fall to 90m tonnes this year, from 99m tonnes last year, but the country will not need to import grain for at least the next two years.

■ Italy's public sector deficit is heading for L160,000bn (£64.8bn) in 1994, L16,000bn above target, due to a L10,000bn shortfall in tax revenues and over-spending.

No reformist spring on Ukraine farms

Jill Barshay tests the political climate in the countryside before parliamentary elections on Sunday

The only outspoken reformist candidate in Ukraine's poor farm village of Yaroslavka, who promised to privatise the land and let the collective farm workers sell their sugar beets and milk to whomever they wanted, died in a car accident recently. He was travelling the poor roads that link the 80 isolated, backward villages in his electoral district, 90 miles north east of Kiev.

Of the district's seven remaining candidates in parliamentary elections next Sunday one is on the revived Communist party ticket and the other six are ex-party farm bosses or long-time local officials.

Last September when Ukraine's first post-independence elections were called, western diplomats and Ukraine's opposition press thought they would be the mechanism that would at last remove the entrenched Soviet legacy that has steered Ukraine to hyperinflation, a severe energy crisis, plummeting output and monthly wages of less than $10. Now they are pessimistic.

Yaroslavka is a typical Ukrainian village of 1,300 people, 70 per cent of them pensioners, whose lives are centered around the collective farm, formerly named Pro-Communism. People there do not easily trust new approaches even though their lives have lurched back to a primitive barter economy as the state is increasingly unable to provide.

"The old mentality lives on here," says Mr Mykhailo Yarmolenko, a Soviet master welder who built atomic power stations abroad and has retired to his family's birthplace. "People still expect the collective farm director to provide everything from roofing to their kids' lunches. They don't see another way."

Horse-drawn ploughs are used more and more as tractors break down. There are no replacement parts to be found. Public transport to the city was cut off a year ago. Candles are used more to cope with frequent blackouts which last for days. The single general goods store has been closed for weeks because there are no goods.

Personal backyard plots of beets and berries are the main source of security for their families' meals. Instead of using Ukraine's worthless currency ($1 gets you 39,000 karbovanets), home produce is bartered through informal networks of city friends and family who can bring matches or a warm sweater on a visit.

Mr Yarmolenko uses his welding skills for his contribution to the collective farm. The chairman wanted to pay him. "'What money?' I said," recounts Mr Yarmolenko. "Give me a sack of flour instead for my wife to make *blini* [pancakes]."

Centuries of serfdom and starvation, whose apex was the artificial famine of the 1930s which wiped out 7m Ukrainian peasants, have made Ukrainian peasants a stoic lot, who expect little of their government and are good at devising private strategies for survival. They distrust radical change, preferring the devil they know.

"I just don't believe that private farmers can feed the country," says head of the village council, Hryhori Boretz, a life-time communist official. "Only the state can provide the kind of massive investment our farm needs. A lone farmer couldn't do it by himself with just a horse and a plough." In this village, only two farmers have taken advantage of Ukraine's private land law to get their own farms.

"There are not enough young people to take risks and responsibility," says Andrii Bezlyudny, who is in charge of the collective farm's animal breeding and mechanisation. (The collective farm's head was off on one of his regular trips to Kiev to beg for fuel needed for spring planting.)

"Right now all the bureaucrats are in charge of the processing factories where we send our grain and milk. They don't have any money to pay us, but they won't let go either because they'd be out of a job. They live off these factories."

On the front line of his farm's problems Mr Bezlyudny believes everything needs to be privatised, from the processing plants down. He is hoping for a new parliament.

THE TRAGEDY AND THE IRONY OF VILLAGE CONSERVATISM

To the amazement of outside observers Ukraine's election campaign is not being fought primarily on economic issues, writes Chrystia Freeland, East Europe correspondent. But, if Ukraine is to have any hope of averting the sort of disaster foreign experts predict, then the day after they take up their seats, the new MPs will have to face up to the issues they have been avoiding on the campaign trail.

On its own, Ukraine's economic plight is cause enough for serious international concern. Ukraine's macro-economic record – the worst in the former Soviet Union – is so dreadful that the beleaguered officials of the International Monetary Fund and the World Bank in Kiev have taken to raising their spirits by counting the inventive new ways Ukrainian officials are constantly discovering to destroy their economy.

But what makes fragile Ukraine particularly important now is its increasingly hostile relationship with Russia. Russians – ranging across the political spectrum from Lenin to Solzhenitzyn – have always seen Ukraine as an integral part of "Greater Russia". As Russian foreign policy hardens in the aftermath of the elections there in December and in reaction to Russia's own economic travails, Moscow's pressure on Kiev to re-submit to Russian rule has become stronger.

Ukraine's economic collapse makes it more difficult for Kiev to resist; at the same time, the nation's political determination to remain independent is growing stronger. This makes Ukraine a particularly volatile partner in what is already a tense relationship, hence the CIA's gloomy prediction earlier this year of a "probable" conflict between the two Slav giants.

It is in the cities, with their greater voting power, that the outcome of Ukraine's election will be decided. There, the race is far more competitive and a new political class, representing a fledgling middle class rather than the entrenched ex-communist *nomenklatura*, could emerge.

Ukraine's tragedy is that the uncomplaining resilience of its villages is likely to help keep its inept government in place. The irony is that it is the villages, with their tradition of hard-working self-sufficiency, which could be the driving force behind a Ukrainian economic revival – if Ukrainian voters are ever able to elect a government with the courage and skill to initiate reforms.

Japan 'trapped' by chip imports deal

Michiyo Nakamoto on the implications of latest semiconductor market figures

The apparently favourable figures for foreign share of the Japanese semiconductor market released last week have been greeted with both relief and resentment in Tokyo.

On the one hand, the 20.7 per cent market share for the last quarter of 1993 is welcomed as proof of the tremendous effort that Japanese semiconductor users have made to increase market access for foreign manufacturers since the US-Japan semiconductor arrangement in 1991.

"The industry has worked very hard (to that end) in the last quarter," says an official at the Electronics Industry Association of Japan.

At the same time, however, there is resentment at US pressure on Japan to ensure that "gradual and steady improvement in foreign market share continue throughout the duration of the arrangement," as Mr Mickey Kantor, US trade representative said with the announcement of the fourth-quarter figures.

Mr Tadahiro Sekimoto, chairman of the EIA, said recently that from the industry's point of view it would have been better not to have had the semiconductor agreement at all.

"We are troubled by the (20 per cent) figure which was an expectation but which has been turned into a target. If the agreement is to be continued we want the figure taken out."

Japanese industry sees it as an expectation turned into a target

Mr Sekimoto's is a personal opinion, but it is shared by many of those affected by the US-Japan semiconductor arrangement. "We all want to call it quits," says one Japanese industry member.

The resentment stems from what is seen as a no-win deal that has caught Japanese semiconductor users in a bind. If the aim of the arrangement to improve market access for foreign markers is not reached, Japan risks US threats of retaliation. At the same time, however, if that goal is achieved it risks supporting the perception that targets work in Japan.

During the ill-fated framework negotiations, for example, under which the US had been asking for "objective criteria" in measuring progress in opening markets, the semiconductor arrangement was cited by US officials as an example of how numerical targets could be successfully used to obtain results in Japan.

No matter how loudly Japanese officials state that there has never been any commitment on market share in the semiconductor arrangement – which notes only Japanese government recognition that the US industry "expects that the foreign market share will grow to more than 20 per cent . . . by the end of 1992", few in the US seem to heed their words.

Behind US pressure on the semiconductor issue is a misguided perception of how things work in Japan, laments one industry official. The ministry of international trade and industry has influence, but not enough to raise the foreign market share with a few tough words, he says.

Nevertheless, for the trade ministry as well, the bilateral arrangement has left little choice but to apply pressure on Japanese industry and achieve a target it does not officially recognise.

At the end of 1992, the key year in which foreign market share was expected by the US to reach 20 per cent, ministry officials pleaded with companies to buy foreign semiconductors even if it meant they would have to throw them away later, according to one industry member.

While the share of foreign semiconductors in Japan did reach 20 per cent at the time, US pressure has far from diminished. Earlier this year, when the figure fell below 20 per cent for three consecutive quarters, the US requested an emergency consultation and asked Japan to adopt an action programme to stem the decline.

"It is strange for the US to ask us to adopt an action plan to boost imports when in fact US suppliers have not always been able to meet Japanese demand due to a shortage of supplies," complains Mr Koji Matsui, deputy director of the industrial electronics division at the trade ministry.

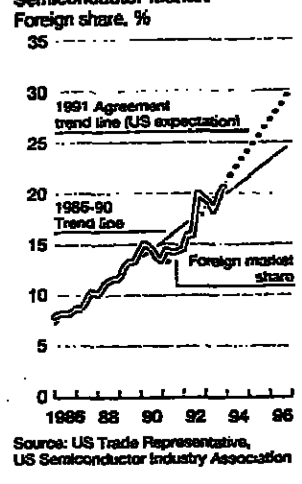
Meanwhile, the US Semiconductor Industry Association has said it believes the foreign semiconductor share will reach between 25 and 30 per cent by 1996. The Japanese industry is worried the US might again take this figure as a target and press Japan to achieve it.

The concern in Japan is that, with a mid-term review of the semiconductor arrangement due by the end of July this year, and against the background of frustration over the stalled framework negotiations, the US may seek to win greater commitments in semiconductor trade, including a government guarantee of market share.

Some in the trade ministry believe that unless it can be made clear that the semiconductor arrangement has no market share commitment, the deal itself should be scrapped.

Japan

Semiconductor market
Foreign share, %



Source: US Trade Representative, US Semiconductor Industry Association

US rocks shipbuilding subsidy talks

By Guy de Jonquières, Business Editor

An unexpected shift of position by the US has thrown into disarray international negotiations aimed at reducing shipbuilding subsidies, just as other countries had offered concessions removing some of the biggest obstacles to agreement.

The US surprised other delegations at talks at the Organisation for Economic Co-operation and Development in Paris last week by insisting on the freedom to require that ships financed by its export credit schemes be built in US yards.

Though such "home-build" provisions are a normal feature of most export credit schemes, the demand that they be formalised in a legal requirement is seen by other delegations as an attempt to establish a principle which is both unacceptable and contrary to the purpose of the negotiations.

The US demand followed important concessions at last week's meeting by Japan and South Korea, which had been widely regarded as taking the most inflexible positions in the five-year-long talks.

The two countries finally agreed to the establishment of an international anti-dumping code for ships, to prevent "injurious pricing". Substantial progress has also been made on the detailed provisions of such a code.

In addition, Japan has agreed to modify the terms of shipbuilding credits provided by the Japan Development Bank, to bring them into line with tighter restrictions on financing demanded by the US.

However, because a successful outcome of the negotiations depends on a complex package deal, these concessions could be put in jeopardy if the last-minute US shift makes overall agreement impossible.

The latest turn of events creates a particularly awkward problem for the European Union. The Commission is expected to take a firm line with the US, because it sees an agreement in the OECD as crucial to its efforts to phase out national shipbuilding subsidies in Europe.

There is a danger that the US demands could undermine EU cohesion on the issue if some shipbuilding industries and member governments, particularly in southern Europe, seize on them as a pretext to press for a relaxation of national subsidy rules.

A further obstacle to agreement is the US refusal to negotiate a repeal of the Jones Act, which requires that a fixed proportion of cargo passing through US ports be carried in US-registered ships. However, it is thought that a way could be found around this problem by gradually relaxing the application of the act.

Prospects for breaking the deadlock will depend on a report being drawn by Mr Staffan Sohlman, Sweden's ambassador to the OECD, who is chairing the talks. If he believes scope for compromise remains, he will reconvene the negotiations, probably late next month.

The negotiations, which were originally instituted under pressure from the US, involve the world's largest shipbuilding countries. They also include Finland, Norway and Sweden.

Gatt draft ready on eco-issues

By Frances Williams in Geneva

Trade negotiators yesterday agreed the broad outlines of a work programme on trade and the environment to be carried out by the General Agreement on Tariffs and Trade and its successor, the World Trade Organisation.

The draft document, to be approved by ministers when they meet next month in Marrakesh to sign the Uruguay Round trade accords, establishes a committee on trade and environment with an initial two-year life-span. Further extension of the committee's mandate will be discussed at the first WTO ministerial conference in 1996.

The draft strikes a compromise between industrialised countries, notably the US, which wanted a permanent committee, and some developing nations which wanted to give it a fixed term.

The committee, to be set up shortly after the Marrakesh meeting, will have broad terms of reference which stress the need to make trade and environment policies mutually supportive.

The document outlines seven categories of issues the committee may explore. These include the impact on market access of environmental measures and whether fair trade rules need to be modified to accommodate multilateral environmental agreements with trade provisions.

Trade officials said yesterday the document was drafted broadly enough to encompass any trade-related environmental issue, including such controversial areas as "processing and production methods" (discriminating between products according to how they are produced) and "eco-dumping" (allegedly unfair competition from countries with low environmental standards). However, they expect the committee to start with less emotive issues such as eco-labelling.

Financial services demand

By Gillian Tett in Brussels

The diplomatic manoeuvring for the post-Marrakesh Gatt negotiations gathered pace yesterday after France called for the European Union to take a tougher line with the US and other Gatt members in the long-running negotiations over liberalising financial services.

In a strongly worded memorandum issued to a meeting of finance ministers on Monday, France demanded that the EU retain its threat to maintain "reciprocal" restrictions in Europe's financial services if the US and others did not offer to liberalise theirs.

"In the context of [continuing discrimination against European banks] . . . the European Union should not abandon its recourse to reciprocity," the memorandum said. This step would be needed to protect European banks from the risk of discrimination in other markets.

The EU is due to reopen formal discussions with the US and other Gatt members over the liberalisation of the financial services after next month's Marrakesh meeting. They failed to reach agreement over the issue at the final Gatt meeting last December.

So far, the Commission has refused to indicate whether Union would maintain reciprocal controls if these new negotiations fail to reach an accord within the six-month deadline set for them.

The barriers, which were introduced under a recent European banking directive, allow the EU to take action against the banks of countries which are imposing similar restrictions.

But Brussels officials yesterday insisted that the Commission was unlikely to bow to French demands. "The common position among the member states is let's wait and see what happens in the negotiations," said one.

Gas contracts agreed

By Robert Corzine

Five contracts have been awarded for conceptual engineering on the proposed UK-Continent Gas Interconnector, a £300m natural gas pipeline which will provide a direct link between the UK and European gas grids.

Conceptual work on the Belgian terminal at Zeebrugge will be done by Tractabel, with British Gas designing the UK terminal at Bacton.

A consortium headed by EMC will work on the 315km-long, offshore pipeline with Geoteam conducting the offshore survey. Haecon was awarded a contract for conceptual engineering on the onshore section in Belgium.

The Interconnector group, which includes British Gas, British petroleum, Conoco, Distrigaz, Elf, Norsk Hydro and Statoil, announced that they were contemplating enlarging the diameter of the pipeline.

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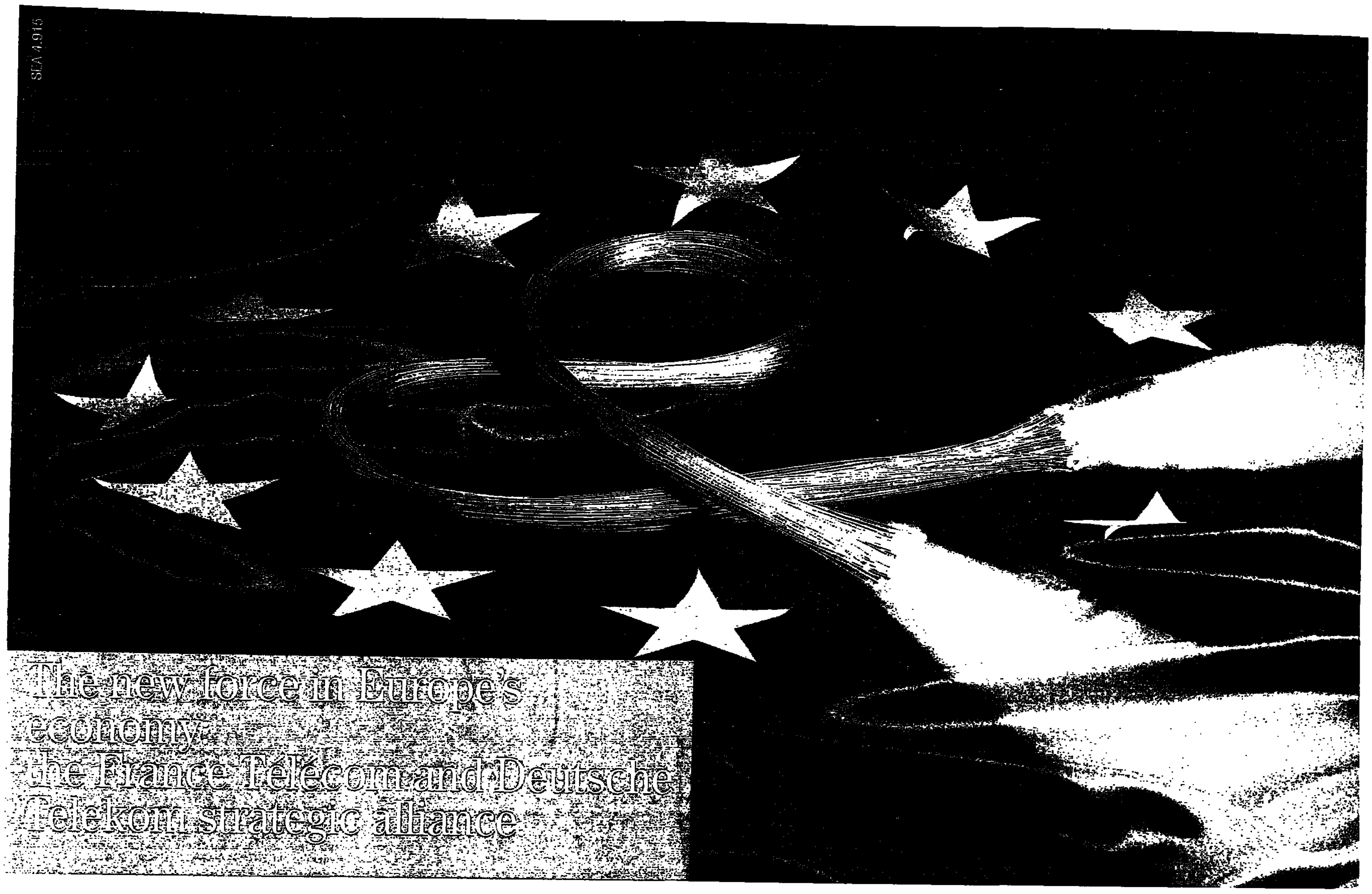


Two of Europe's most important telecommunications companies, France Télécom and Deutsche Telekom, are now extending their current joint activities to the global stage. This strategic alliance is a European response to the challenges posed by a completely altered and increasing competitive world market. Challenges that every industrial nation in Europe must, in particular, face up to.

This alliance positions both companies as global, high-tech service providers in a key technology area. Along with its closely related information technology, telecommunications is an indispensable cornerstone technology and driving force in virtually every high-tech industry, in chip manufacture, opto-electronics, software development and many more. Today, no other technology plays such a vital role in a nation's ability to compete and, therefore, to create employment and generate prosperity.

Above all, the alliance will be able to offer international companies and business customers with a strong European presence the advantage of fast, economical one-source delivery of the very latest telecommunications technologies. In particular, the competitiveness of European companies in the international marketplace will be significantly enhanced.

By so doing, this new Franco-German alliance will also be making a powerful contribution to greater European-wide cultural and market harmonisation, to new jobs creation in many areas of industry, and – not least – to safeguarding Europe's position in the global market.

Telekom

Nazarbayev wants pipeline to go ahead through Turkey

Kazakhs deny Russia gas and oil stakes

By Chrystia Freeland and Robert Corzine

President Nursultan Nazarbayev of Kazakhstan yesterday said his country would not give Russia equity stakes in either the Tengiz oil project or the Karachaganak gas field being developed in Kazakhstan by western companies.

Russia, which controls the export routes for the two developments, has been insisting on equity in the fields rather than being paid a tariff.

"Russia will not get an equity share in Tengiz or Karachaganak," Mr Nazarbayev said yesterday. He added that on March 28 he was due to meet Russian leaders in Moscow to discuss these and other economic disputes between the two republics.

Mr Nazarbayev's statements contradict the views of western businessmen in Alma Ata who believe Kazakhstan is on the verge of conceding equity in the two fields to Russia. Tengiz, which is being developed by Chevron of the US, is producing oil for export. But Chevron has been plagued by disputes with Russia over the effect on pipelines of contaminants in the oil and the route of new pipelines.

Karachaganak, which is some way from the export stage, is being developed by British Gas and Agip of Italy. They have been watching Chevron's troubles closely.

Mr Nazarbayev said yesterday that Kazakhstan was serious about plans to construct an export pipeline south through Turkey. But this would only be built after a joint Russian-Kazakh project to build a pipeline from the Caspian to a Russian port on the Black Sea.

Together, Mr Nazarbayev's statements indicate an increasing determination on the part of the Kazakh leadership to lessen the ties which have permitted Russia to exert its economic domination.

Kazakhstan has complained that many Russian refineries, upon which it is dependent, refused during the recent severe winter to ship back refined products to Kazakh suppliers of crude oil. Russian buyers of Kazakh coal were also late in making payments.

Mr Nazarbayev, who, after the collapse of the Soviet Union, was one of the most ardent backers of closer integration among former Soviet republics, is taking a more independent line now that "co-operation" is taking the form of Russian domination.

He was furious when the country was ejected from the rouble zone last autumn. Yesterday he rejected the notion of recreating the zone, describing it as "a deluded dream". Mr Nazarbayev also opposed deployment of Russian-only peacekeeping forces in troubled former Soviet republics.

He warned of hardline tendencies in Moscow and said the time had come for Russians to reconcile themselves to the existence of truely independent neighbours – a process he believes is only beginning.

"There are certainly some political overtones [in Russia's economic treatment of Kazakhstan]," Mr Nazarbayev said. "These are growing pains. We are just now beginning to learn how to treat each other as fully sovereign, independent states."

● Russia has reached agreement with Azerbaijan to grant a 10 per cent stake in a multi-billion dollar oil deal in the Caspian Sea to Lukoil, Russia's largest semi-independent oil company, a Lukoil spokesman in Moscow said yesterday.

The Lukoil share will come from the 25 per cent stake in the development of the project held by the the state oil company of Azerbaijan. A group of western oil companies led by British Petroleum are responsible for 75 per cent of the eventual development costs. Profits are expected to be shared out on a basis of 80 per cent for Socar and 20 per cent for the western group.

N Korea miscalculates in row with South

North and South Korean officials (left) in December 1991 reaching a peace deal which led in 1992 to cancellation of annual US-South Korean Team Spirit exercises (right), revived the next year AP and Reuter

The US and Seoul are now more determined to stand together, writes John Burton

Two years ago, there was optimism that North and South Korea were on the path to reconciliation and eventual peaceful unification. Events have gone horribly wrong since then.

Relations have deteriorated to the point where the threat of a military confrontation on the Korean peninsula has become a frightening possibility. That did not appear so at the end of 1991, when the US, North Korea and South Korea began to implement a three-way deal to defuse nuclear tensions.

The US agreed to pull out its tactical nuclear weapons from South Korea. This persuaded North Korea to sign a non-nuclear pact and a non-aggression treaty with South Korea.

The US responded by holding a high-level meeting with North Korea and cancelling its Team Spirit military exercise in South Korea for 1992. In return, North Korea agreed to start allowing the International Atomic Energy Agency to inspect its nuclear facilities at Yongbyon.

Things became unstuck in the summer of 1992 as the two Koreas negotiated implementing their non-nuclear pact. Seoul demanded North Korea accept challenge- or spot-inspections of suspected nuclear facilities in compliance with the treaty. Pyongyang refused, blocking progress in the inter-Korean talks.

One problem was that the treaty language governing spot-inspections was ambiguous. "The wording in the treaty was poorly drafted," admits one senior South Korean foreign ministry official.

Seoul first offered aid to help rescue North Korea's struggling economy if Pyongyang accepted spot-inspections. When that offer proved fruitless, it put on pressure in the late autumn of 1992 by asking the US to resume the Team Spirit exercise in 1993.

Pyongyang had routinely condemned previous Team Spirit exercises as a rehearsal for a possible attack against North Korea. It also viewed the resumption of Team Spirit in 1993 as the US reneging on its promise to halt the exercise if North Korea accepted IAEA inspections. Pyongyang proved increasingly intransigent, and it is likely the incident reinforced its distrust of the intentions of the US and South Korea.

"The holding of Team Spirit '93 was a terrible mistake," said Mr William Taylor, a prominent North Korea analyst and vice-chairman of the Center for Strategic and International Studies in Washington. "It has taken us another year to repair the damage and try to get things back on course."

Another factor adding to Pyongyang's anxiety was that the staging of Team Spirit in March 1993 occurred shortly before the expiry of a deadline set by the IAEA for it to be allowed to inspect two unreported facilities believed to contain nuclear waste.

Examination of the waste material might confirm IAEA suspicions that North Korea had produced more bomb-grade plutonium than it had declared after shutting down its small 5MW reactor in 1989. The US Central Intelligence Agency estimated the North could have extracted enough plutonium to make one or two crude nuclear devices.

On March 12, 1993, Pyongyang announced it was withdrawing from the Nuclear Non-Proliferation Treaty (NPT), the first country to do so. It explained it was taking the action in response to Team Spirit and the IAEA special inspection demand, which it described as a "seditious political machination aimed at forcing us to open military objects and bases, thereby leaving us disarmed militarily."

If it agreed to the IAEA demand, North Korea said this would create a precedent for accepting similar spot inspections by South Korea.

Many observers concluded North Korea wanted to drop out of the NPT because it feared the IAEA was close to discovering Pyongyang was indeed developing nuclear weapons despite its denials.

North Korea is committed to producing a nuclear weapon because Pyongyang views it as the ultimate guarantee against the country's absorption by the South, according to these analysts. But the prevalent theory in Seoul has been that North Korea was using its threat of NPT withdrawal and the blocking of international inspections in a desperate attempt to win concessions.

These would include gaining diplomatic recognition and economic aid from the US and Japan, reversing the diplomatic defeat North Korea suffered when China and Russia, its two oldest allies, established relations with South Korea in the early 1990s. The North has also been seeking the right to inspect US military bases in South Korea, a promise by the US not to attack North Korea, and the permanent suspension of Team Spirit.

The view that the North was playing the nuclear card for diplomatic purposes gained support last summer when it agreed to suspend its NPT withdrawal in return for the promise of improved ties with the US in the future.

Since then, negotiations on the nuclear dispute have focused on a package deal in which the US would again suspend Team Spirit and hold a new round of talks with North Korea on possible diplomatic recognition, if Pyongyang agreed to allow unrestricted regular inspections by the IAEA and pursue its talks with South Korea on mutual nuclear inspections.

This would have paved the way for a second stage of negotiations in which the US might have finally offered to normalise relations with Pyongyang if it accepted spot inspections by the IAEA. But the North has remained stubborn on two points in concluding the initial package deal.

Apparently fearing that the US would not fulfil its end of the bargain, it has insisted Washington make simultaneous concessions in any trade-off with Pyongyang. The US and South Korea, equally distrustful of North Korea, have demanded Pyongyang make the first steps in the fulfilment of any agreement.

The North apparently made a concession in this regard recently when it agreed to allow an IAEA inspection team into Yongbyon on condition that the US would suspend Team Spirit if the results proved satisfactory.

But the North's subsequent refusal to allow the IAEA to carry out crucial tests after completing at least 80 per cent of its inspections might have been an attempt to retain "leverage" in its dealings with the US on Team Spirit, South Korean officials say.

The North has also proved reluctant in dealing with the South in the negotiations over mutual nuclear inspections. "North Korea obviously wants to pursue its policy of improving relations with the US while delaying inter-Korean dialogue, with the eventual aim of eliminating Seoul's links with the US," Mr Chung Jong-uk, national security adviser to South Korea's President Kim Young-sam, said. The North might have been hoping to play off Seoul against Washington in an attempt to improve its bargaining position and win new concessions.

But if the North believed it could exploit such differences, it has badly miscalculated after it broke off talks with the South last weekend. It has angered the South and the US and strengthened their co-operation and determination in confronting the North.

Accord postponed in Somalia

By Leslie Crawford in Nairobi

Somalia's rival warlords yesterday postponed a ceremony of national reconciliation for the second time this week.

The postponement is an embarrassment to the UN, which has been sponsoring the negotiations in Nairobi in the hope of reaching a political settlement before US troops complete their withdrawal on Friday. The departure of US and European peacekeepers has been triggered in part by the unwillingness of rival Somali clans to make peace.

At issue is how 15 different clans and numerous sub-clans are to share power in a future Somali government. The struggle for hegemony has destroyed Somalia's civil institutions and placed the country in the hands of gunmen.

The year-old UN Operation in Somalia (Unosom) has been unable to enforce peace. Western diplomats say the country has exhausted patience and willingness to help.

Mr George Bennett, Unosom spokesman, said the reconciliation ceremony had been cancelled because the 15 participating Somali factions could not agree on who should be a signatory to the agreement, which includes a power-sharing arrangement for a national government.

The reconciliation ceremony has been rescheduled for today. "The Somali factions realise international opinion is highly critical of them and that the West is disengaging," Mr Bennett said. "We hope this time they will abide by their declarations."

Nigeria cancels land deals

By Paul Adams in Lagos

Nigeria's military regime has cancelled last year's allocations of land to top members of the government, in an effort to prove it is dealing with corruption at all levels of officialdom.

Gen Sani Abacha, head of state, and his number two, Lt-Gen Oladipo Diya, were among 130 prominent Nigerians including cabinet ministers and top military officers allocated plots of prime land for less than one-tenth of their market value by former president Gen Ibrahim Babangida after he annulled last June's presidential elections.

When the private property developers who claim to own the land took legal action, the government tried to justify the move last September by producing a backdated decree which, in turn, threatened all land tenure on Nigeria's coastal land. The trial was due to come before the high court on April 26.

"It is not clear who will repay the money for the plots or whether they are withdrawing from next month's court case," a spokesman for the developer said yesterday.

The land scandal has damaged the claim by Gen Abacha, who seized power in November, to root out the corruption of the Babangida regime. Information minister Jerry Gana intends next month to launch a "war against indiscipline and corruption".

The government plans to investigate the oil and other state industries, the central bank, the judiciary and the police, but not the armed forces.

Japan looks at options for Pyongyang sanctions

By William Dawkins

Japanese government departments and agencies are considering the prospect of measures against North Korea if the United Nations Security Council adopts sanctions, Tokyo said yesterday.

The move, revealed by Mr Masayoshi Takemura, chief cabinet secretary, marks Tokyo's growing alarm over North Korea's defiance of international pressure to open its nuclear sites to full inspections. Pyongyang's suspected development of missiles capable of reaching Japan, with or without nuclear warheads, has heightened public anxiety.

Until recently, Japan shared China's reluctance to consider economic penalties, for fear of further isolating Pyongyang's unpredictable leaders. But Prime Minister Morihiro Hosokawa told US President Bill Clinton at their summit last month that Tokyo would take part in sanctions if the Security Council called for them.

Official Japanese exports to North Korea totalled $250m (£148m) in 1991, making it the country's second largest trade partner after China, according to the Japan External Trade Organisation. But North Koreans living in Japan are estimated to remit another $600m a year in cash.

The possibility of sanctions puts more pressure on the Japanese government to curb unofficial remittances to North Korea, a sensitive political problem.

Support for the North Korean regime from the Social Democratic Party, the largest member of Mr Hosokawa's seven-party coalition, has declined since last year's visit to South Korea by Mr Sadao Yamahana, the former Socialist leader. But some analysts believe North Koreans in Japan are generous contributors to Socialist election funds.

North Korea's suspected nuclear weapons programme will be on the agenda when South Korea's President Kim Young-sam meets Mr Hosokawa tomorrow, at the start of a three-day visit to Japan. They are also expected to discuss US deployment of Patriot missiles in South Korea and timing of US-South Korean military exercises.

Israeli and PLO negotiators to continue talks in Cairo

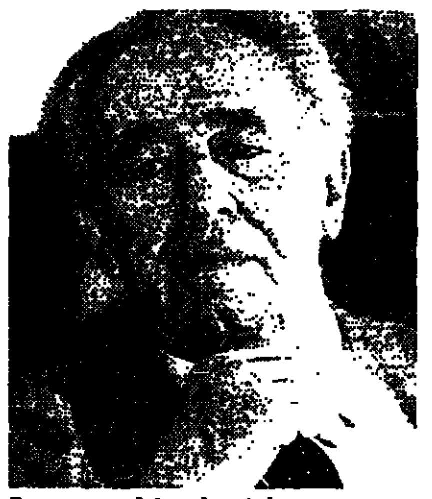
By David Horovitz in Jerusalem and Mark Nicholson in Cairo

Israeli and PLO peace negotiators are to meet again today in Cairo, having failed during two days of talks in Tunis to agree conditions for resuming peace talks on Palestinian autonomy suspended following last month's Hebron mosque massacre.

The stumbling blocks appear to be Israel's refusal to allow an armed international force to be deployed in the occupied territories to protect Palestinians, and its rejection of PLO demands for the evacuation of the 400 Jewish settlers who live in the heart of Arab Hebron.

Israel's foreign minister, Mr Shimon Peres, usually optimistic where Middle East peace prospects are concerned, seemed downhearted yesterday, speaking of the "many obstacles" to be overcome before talks could resume. He firmly ruled out any prospect of a summit meeting soon between Mr Yitzhak Rabin, prime minister, and Mr Yassir Arafat, the PLO chairman – that would signal the negotiations were back on track.

The US peace talks co-ordinator, Mr Dennis Ross, and Mr Terje Roed Larsen, Norway's foreign ministry envoy, both of whom tried to help mediate a breakthrough in Tunis, flew to Cairo yesterday in anticipation of today's talks. According to Israeli and Palestinian sources, the two sides did agree on certain aspects of a Norwegian proposal, for the temporary deployment of international observers in Gaza, Jericho and Hebron, but the PLO insisted that these observers be armed, a proposal Israel rejected.



Peres: seemed downhearted

Norway yesterday called for an emergency meeting of more than 20 donor countries, also to be held in Cairo tomorrow, to discuss arrangements for a Palestinian police force, originally intended to take over from Israeli forces after their eventual withdrawal. The donor countries will be represented by embassy officials.

Officials and diplomats close to the talks said the meeting was likely to discuss the possible early deployment of a contingent of Palestinian police in Hebron should this form part of the negotiated solution.

Today's Cairo talks are expected to be headed by Major General Amnon Shahak on the Israeli side and Mr Nabil Shaath for the Palestinians – the two men who had headed the now-stalled talks on Israeli withdrawal from Gaza and Jericho.

The Israeli team, which was last night briefing Mr Rabin on the Tunis talks, also ruled out PLO calls for the removal of Jewish settlers from Hebron. The settlers themselves threatened yesterday to use all means short of shooting soldiers to resist attempts to evacuate them, and said they were considering ways to increase the Hebron settler population.

Three Palestinian survivors of the Hebron massacre told the Israeli commission of inquiry yesterday that at least two gunmen were firing in the mosque.

Two Moslem clergymen and three Moslem mosque guards declined to testify last week.

NEWS IN BRIEF

Guerrilla rockets land in Israel

Guerrillas in south Lebanon fired Katyusha rockets into northern Israel yesterday, one day after Israeli shelling killed two schoolchildren and a man, Reuter reports from Tyre.

Security officials said "three or four" Katyusha rockets were fired from near Qlayleh village in the south. At least two rockets hit western Galilee, the others fell in the border area. The rockets caused no casualties. No group claimed responsibility, but security officials said the attack seemed to be in reprisal for the Israeli shelling.

China's inflation rate rises

Figures indicating a rise in China's inflation rate were published in the Chinese press yesterday, our Foreign Staff writes. The reports said retail prices in the first two months rose 20 per cent nationwide over the same period last year, against 13 per cent for all of 1993. The State Statistical Bureau report showed industrial output grew by 18.2 per cent in the first two months; capital construction surged 41.8 per cent in the same period.

Morocco free trade zone

Morocco will build a new harbour and a free trade zone of some 5,000 acres in the Atlantic coast port of Dakhla in disputed Western Sahara, Reuter reports from Rabat. The official news agency MAP quoted Mr Mohamed Hassad, public works minister, and Mr Driss Jettou, commerce and industry minister, as saying the harbour would take three years to build and become a centre for deep-sea fishing. Morocco claims Western Sahara, but Polisario guerrillas have been fighting for independence since 1976.

Israeli banks' higher profits

Two of Israel's top five banks have this week released figures for 1993 that show increased profits over the previous year, writes David Horovitz in Jerusalem. United Mizrahi Bank yesterday announced 1993 profits totalling Shk135m ($45.3m), a 9 per cent increase over 1992.

Mr Chaim Kubersky, chairman, said the bank was in "good shape" ahead of the scheduled sell-off of up to 51 per cent of its shares later this year. First International Bank of Israel reported a 37 per cent rise in profits for 1993 compared to 1992, at Shk144m.

Cambodians can stay

About 30,000 Cambodians have sought refuge in Thailand since the capture by government forces of the Khmer Rouge's Pailin stronghold, Reuter reports from Bangkok. They will be allowed to stay until the situation returns to normal.

Foreign investment in India up eightfold in year

By Stefan Wagstyl in New Delhi

Foreign investment in India is estimated to have risen eightfold in the year ending this month to about $5bn (£2.9bn), far above the government's targets and the most optimistic private forecasts.

Announcing the figure at a business conference yesterday, Mr Manmohan Singh, finance minister, urged businessmen to make further investment commitments, saying the economic reforms carried out since 1991 required "a vigorous response from both foreign and Indian investors".

The estimated total includes about $1.5bn in direct investment and about $3.5bn in foreign fund managers' investment in Indian stock markets and overseas issues made by Indian companies.

The figures measure actual inflows, not investment approvals, and compare with a total of $585m for 1992-93.

The big inflow of portfolio investment reflects the fact that India's financial markets were largely closed to foreign investors until late 1992 and the general popularity of investment in emerging markets, as well as growing appreciation of India's prospects.

The $5bn estimated total for 1993-94 compares with a forecast of $3bn published in the government's annual Economic Survey only a month ago. At the start of the financial year, finance ministry officials expected inflows of up to $2bn at most.

They believed it would take years for inward investment to pick up speed. They are pleased actual inflows exceed their forecasts but there is concern that a large element of the inflow is portfolio investment, which could be reversed if fund managers sell their holdings.

The government's policy is to encourage direct investment, especially in infrastructure.

Mr Singh said India remained committed to further reforms, including liberalisation of foreign exchange rules, financial markets and trade policy.

Sharp rise in US trade deficit

Figures include services for the first time, reports **Michael Prowse** from Washington

The US trade deficit in goods and services rose sharply to $6.3bn in January against $4.1bn in December, the Commerce Department said yesterday.

The monthly figures were the first to include data on trade in services. Until yesterday, the US published monthly data only on merchandise trade – or trade in goods. By excluding a large surplus on services these gave a misleading impression of the US's overall trade performance.

The increase in the overall trade deficit mainly reflected a sharp fall in exports from $57.3bn to $54.5bn, partly offset by a smaller drop in imports from $61.4bn to $60.8bn.

The larger-than-expected fall in exports – reflecting weakness of demand in overseas markets – indicates that trade may act as a drag on US economic growth in the first quarter, partly offsetting the strength of domestic US demand.

Yesterday's figures highlighted the sharp divergence in US trade performance in the goods and services sectors.

The deficit in trade in goods rose to $11bn from $8.7bn in December. The surplus on services rose to $4.7bn against $4.6bn in December.

The merchandise trade deficit on the old basis rose to $9.8bn in January against $7.4bn in December. This differs from the reported $11bn deficit in trade in goods because the latter is calculated on a "balance of payments" rather than "census" basis.

The census figures are based on physical movements of goods whereas the balance of payments figures also reflect changes in the ownership of goods. The two reporting methods also differ in the way they treat gold and military contracts. Generally figures on the balance of payments correspond more closely to international definitions.

The revised and expanded monthly trade figures were "important for raising our awareness of how our economy works and how our nation competes in global markets," said Mr Dave Barram, deputy commerce secretary.

"We live and work in an economy in which the software is as important as the hardware...our service and manufacturing sectors grow increasingly interwoven," he said.

Since the late 1980s the US surplus on services has increased steadily - from $12.1bn in 1988 to $55.7bn last year. The deficit on goods fell from $127bn in 1988 to a trough of $73.8bn in 1991 during the recession but then begin rising as the US economy recovered, reaching $132.5bn last year.

The rise in the surplus on services has thus offset to a considerable degree the deterioration on goods. The services surplus last year was nearly 60 per cent as large as the deficit on goods. The deficit on goods and services combined, at $76.8bn last year, is thus sharply lower than the $114.9bn registered in 1988.

The main components of the services account are: business services (surplus of $22.8bn last year); tourism and travel (surplus of $20.8bn); royalties and licence fees (surplus of $15.7bn); and government transactions including military (deficit of $2.6bn).

The sharpest improvement in the US services account since the mid-1980s has been in travel and tourism. Exports of business services have grown roughly in line with exports and goods and less rapidly than imports of business services. Many analysts thus expect the services surplus to stabilise rather than continue growing rapidly.

US trade: services lessen the blow

$bn	Goods	Services	Net balance	Merchandise balance on "old" basis
July 1993	-11.8	4.9	-6.9	-10.4
Aug 1993	-11.6	4.6	-7.0	-10.0
Sep 1993	-12.6	4.4	-8.2	-10.6
Oct 1993	-12.6	4.2	-8.5	-10.6
Nov 1993	-11.4	3.9	-7.5	-9.7
Dec 1993	-8.7	4.6	-4.1	-7.4
Jan 1994	-11.0	4.7	-6.3	-9.8

Source: Department of Commerce

Camacho puts peace before presidency

By Damian Fraser in Mexico City

Mr Manuel Camacho, the peace envoy in the Mexican state of Chiapas, has sought to end speculation about his political ambitions by apparently ruling himself out as a presidential contender this August.

"If it continues to look as if my priority is to become a candidate for the presidency of the republic, this could end up damaging the peace process," Mr Camacho said.

"Between seeking a candidacy for the presidency and the contribution I can make to the peace process in Chiapas, I choose peace," he said.

However, in giving his work in Chiapas as the reason for not seeking the presidency, Mr Camacho left open the admittedly small possibility his presidential ambitions might return if the conflict in Chiapas were resolved, or if he were no longer needed in the state. Mr Camacho made clear he still wanted to be president, but not at the cost of peace in Chiapas.

Despite the potential ambiguity, news of Mr Camacho's announcement led to a sharp recovery in the Mexican stockmarket yesterday. By noon it was up 3.7 per cent. The New York-quoted stock of Telefonos de Mexico was up by 7.2 per cent at 1pm. The peso also strengthened slightly.

Mr Manuel Camacho: his announcement caused stock market recovery

Mr Camacho, a former Mexico City mayor and foreign minister, is one of the best known and most powerful members of the ruling Institutional Revolutionary party. His candidacy could have split the party, and thrown this August's presidential election wide open.

The political uncertainty caused by his rumoured candidacy contributed to sharp declines in the Mexican stockmarket and peso, and consternation in the government. Over the past six weeks the stock market has lost about 17 per cent of its value, and the peso has depreciated by more than 6 per cent against the dollar.

The situation in the impoverished southern state of Chiapas has also become more tense in recent weeks. Big landlords are engaged in a struggle over land with sympathisers of the Zapatista rebels, who launched a rebellion in the state at the New Year.

Mr Camacho believes that speculation about his presidential candidacy was complicating efforts to bring the sides together.

He also said that in the current electoral climate he would not seek to be a senator, nor would any member of his negotiating team in Chiapas seek political office. But he said he would continue in politics, seeking democratic reforms, and responding to the needs of the population.

Clinton to face fresh scrutiny on Whitewater

By Jurek Martin in Washington

In a fresh blow to President Bill Clinton it now appears certain that the US House and Senate will conduct fully fledged hearings into the Whitewater affair, possibly as early as next month.

Mr Tom Foley, the speaker, and Mr Bob Michel, the Republican leader, announced yesterday that the House would vote later in the day on a motion identical to that approved by the Senate last week. Mr Foley predicted it would pass, adding that, as with the Senate, no grants of immunity from prosecution would be given to those summoned to testify.

The bipartisan agreement marks the end of Democratic resistance to the idea of wide-ranging hearings into the tangled tale of the Clintons' financial and land dealings in Arkansas in the 1970s and 1980s. It also ensures that the national spotlight will remain focused on Whitewater, much to the regret of a president trying to get his domestic legislative agenda back on track.

Yesterday's announcement followed the postponement of a House banking committee session scheduled for tomorrow, which could have provided the first congressional forum for Whitewater.

The committee, under the chairmanship of Mr Henry Gonzalez, the Texas Democrat, was due to review the semi-annual report of the Resolution Trust Corporation, the agency created to clear up the savings and loan débâcle of the 1980s.

A bankrupt Arkansas S&L, Madison Guaranty, has been implicated in the Whitewater affair. Both Mr Lloyd Bentsen, the treasury secretary and Mr Roger Altman, his deputy and acting head of the RTC, were scheduled to testify.

In postponing the committee hearings, Mr Gonzalez first accused Congressman Jim Leach, the ranking Republican, of seeking to transform them into a "judicial adventure" against the president. But later, in a letter to Mr Foley, he said he favoured House hearings "in a forum of broad reach – possibly a select committee – that can explore all the charges that have been brought".

In Little Rock yesterday, Mr David Hale, a former Arkansas judge, pleaded guilty to conspiracy and fraud in an unrelated case as part of a bargain with Mr Robert Fiske, the independent Whitewater counsel.

Cigarette tax may rise $1.25

By George Graham in Washington

Anti-smoking advocates won a significant battle yesterday when an influential congressional health committee voted to raise the tax on cigarettes by $1.25 (84 pence) a packet to help pay for a reform of the healthcare system, far more than the 75 cent increase proposed in President Bill Clinton's health plan.

The stiff tobacco tax increase, which could raise an estimated $16bn a year, passed the health panel of the House of Representatives Ways and Means committee by a 6-5 vote, but could fall by the wayside as healthcare legislation goes through Congress.

Mr Clinton had originally considered a steep increase in the tobacco tax, partly to raise revenue to pay for aspects of his reform plan and partly to act as a severe disincentive to smoking, but backed down to 75 cents to placate congressmen from tobacco-producing states in the south-east.

Mr Clinton's efforts to push healthcare reform have appeared to lose momentum in recent weeks, but a legislative package is still being painstakingly crafted in Congress.

One draft now being circulated by the House energy and commerce committee, under the chairmanship of Mr John Dingell of Michigan, would eliminate the requirement that all but the largest companies be required to buy health insurance for their employees through government-run "health alliances".

Christopher defends China line

By Jurek Martin

The US will not back down from its demands that China improve its human rights record as a condition for extending trade benefits, Mr Warren Christopher, US secretary of state, said yesterday.

In a signed column in the Washington Post, Mr Christopher wrote that "our specific conditions for renewing MFN [most favoured nation trading status] are reasonable and attainable.... We are not asking China to apply American prescriptions, only to adhere to the universal standards of human rights that bind most nations in the world today."

His unrepentant article may be seen as a clear rebuttal of critics who claim his recent mission to China was a diplomatic disaster. But it also underlines differences in the administration over whether withholding trade privileges, which may prompt retaliation against US businesses, is the best way to improve human rights in China.

Senior officials of both the treasury and commerce department have argued publicly that US commercial openings should not be sacrificed to the human rights concerns of the state department.

At the weekend, Mr Lloyd Bentsen, Treasury secretary, hoped "alternatives" could be worked out. Last week another senior White House official reflected the dilemma by saying that it was "untenable" both that MFN not be renewed and that China's human rights record be ignored.

Delays hit British Rail privatisation

By Charles Batchelor, Transport Correspondent

The sale of *British Rail* franchises to the private sector is expected to take up to a year longer than first planned, Mr John MacGregor, UK transport secretary, disclosed yesterday.

The government does not *expect to sell off the first six* franchises until sometime before the end of 1995. It had hoped to sell the franchise for the *Gatwick Express*, running between London Victoria and Gatwick Airport, this autumn and a further six franchises early *next year*.

"We did indicate an earlier timetable when the Railways Bill was going through the House but that was before we had done detailed work," Mr MacGregor said. News of the *delay came less than two* weeks before the creation of separate companies to own BR's track and signalling and *to lease rolling stock*.

"The Tories' plans for rail privatisation are falling apart before they've even started," *said Mr Frank Dobson, Labour* transport spokesman.

Despite the delay the government still hopes to have privatised more than half of BR's passenger rail services by April 1996. "This is a challenging but achievable programme," Mr MacGregor said.

The first six franchises to be sold off are expected to be Gatwick *Express, the east coast* main line between London and Scotland; the Great Western main line; the London, Tilbury *and Southend line; south* western division; and ScotRail.

The Isle of Wight line will be sold off later because, unlike the rest of the rail network, it will operate as a single unit including both train operations and track.

Apart from Gatwick Express, which is already operating as an independent company, the *first six franchises will start* operating as "shadow franchises" from April 1 with the remaining 19 due to start in *October. These will be run by* their existing management as independent operations to establish how attractive they might be for private bidders.

A fear of some potential bidders is that the government might reduce or remove subsidies for lossmaking lines during the life of a franchise. Mr Roger Freeman, transport minister, *indicated that the Treasury* would be expected to promise to maintain subsidies. "Long-term commitments of *subsidy will have to be made,"* he said.

The announcement of details of the privatisation timetable coincided with the launch of a campaign against the rail programme by Save our Railways, a protest group, the Labour party and transport unions.

Save our Railways will monitor privatisation and report *any deterioration of service.*

Pergau 'threat' to aid budget for 3 years

By James Blitz

Lord Younger, the former *defence secretary, could have* committed to Malaysia the UK's entire budget for Aid and Trade Provision for three years when he secured a contract to sell defence equipment in 1988, according to evidence given yesterday to MPs.

Lord Howe, the former foreign secretary, told the Commons Select Committee on Foreign Affairs that the decision to link an offer of aid for Malaysia's Pergau dam project with a £1bn defence contract *was taken entirely by Lord* Younger, his cabinet colleague in the late 1980s.

He said that a protocol signed by Lord Younger and the Malaysian government in March 1988 had made "a substantial moral commitment" to offer aid to Malaysia, and that its contents had caused "animation", "astonishment" and *"dismay" in Whitehall when* they became known.

But Lord Howe emphasised yesterday that one of his principal concerns at the time was that the wording of the protocol could have allowed the Malaysians to make a considerable call on funds from Britain's aid budget.

He pointed out that – with a *defence deal potentially* worth £1.5bn in the making – this would have committed the UK to immediately grant Malaysia £300m in cash, three times the annual budget of the ATP scheme which gives aid to developing countries so they can secure British contracts.

"We had to limit the financial commitment involved," *Lord Howe told the MPs*. "The original wording meant that if we wanted to sell another spitfire, Malaysia could have pressed for another dam."

Lord Howe said that he fully understood Lord Younger's determination to secure the defence contract. "In retrospect we can say it was an error of judgment, but at the time the main thing was that he got the deal."

All about Ulster's broadcast news

Michael Cassell on the BBC's policy towards covering local news in Northern Ireland

A phone-in argument over coloured icing on an anniversary cake might not appear to be the stuff of serious radio broadcasting. But in Northern Ireland the BBC knows only too well that trivia can be deadly serious.

With a few minutes left of *his popular "Talk Back" pro*gramme, presenter Mr David Dunseith is up to his headphones in controversy. A televised report of a party thrown for Mr John Hume, leader of the nationalist Social Democratic and Labour party (which aspires to a united Ireland by consent), has shown the cake in question apparently iced in the colours of the Irish republic.

A member of the province's grievously divided community *is not amused and sounds off* on air. Before long, Mr Mark Durkan, chairman of the SDLP, is on the line to point out that any likeness is unintentional; the SDLP has never used or abused any nation's national flag.

In this part of the United Kingdom sensitivities are as acute as political opinions are *diverse. Extremes, however* much in the minority, tend to dominate and it often appears that only those who shout loudest get heard.

In the middle stands BBC Northern Ireland, recent winner of a Royal Television Society award for 25 years of outstanding service to the province, and charged under *charter with providing a daily* menu of public service broadcasting; one of its prime tasks being to maintain fairness and balance in a society where bad judgement can have potentially grave consequences.

"There is an obvious difficulty in being called the British Broadcasting Corporation in a place like this", says Mr *Robin Walsh, the affable but* tough Londonderry man who, after a lifetime in newspaper and television journalism is now, at 54, controller BBC Northern Ireland.

"One side of the community thinks you should be waving a particular flag. The other suspects you are part of the Establishment and on no account to be trusted", he says.

Jim Dougal, political editor for BBC Northern Ireland, pictured outside the parliament buildings at Stormont, Belfast

Mr Walsh's assessment is easily confirmed. At the recent annual conference of Sinn Féin, the BBC was vilified for peddling "Loyalist (pro-British) propaganda".

On the other hand, Mr Jim Wilson, general secretary of the Ulster Unionists, claims many ordinary, working-class protes*tants believe even the sur*names of some of the BBC's leading, local broadcasters lend weight to suspicions of pro-catholic bias.

Mr Walsh stresses the corporation's commitment to cover all aspects of life in the province but believes the thirst for news in Ulster is unquenchable. He accepts, however, there *is a tendency to inflate or over*state the impact of news and that hyperbole can get the better of the most experienced journalist.

He recalls the BBC mistakenly announcing the breakdown of an IRA ceasefire and still shudders at the thought some Loyalist paramilitaries might have seen it as the green light for fresh atrocities.

But he rejects the old notion "that if everybody moans you must be getting it about right. I think that is trite. If you scratch the surface of the rhetoric I think you find most people believe we are trying to be fair in a tough situation".

Mr Durkan of the SDLP accepts the point, recognising *that "in the cut and thrust of* daily deadlines things are not always going to be calibrated too precisely". Even so, he complains his party cannot win representation on Question Time (TV debates) programmes from the province.

"The thing I am most proud of," says Mr Walsh, "is the manner in which people work *at the sharp end of highly emo*tive stories but manage to leave their opinions and tribal and political affiliations at home."

There is plenty of extra guidance on how to avoid the terminological traps which await newcomers to Ulster politics. Never, say BBC guidelines, give pet names like "provos" to terrorists, don't refer to IRA "volunteers" – who knows why they joined? – and avoid offending everyone by referring to the "mainland".

Mr Walsh's journalists sometimes take much more serious risks – to life and limb. One reporter arranged a frightening rendezvous in the back of a van with hooded men to hear *stories which Mr Walsh* believes ultimately led to the an inquiry into alleged collusion between police and Loyalist paramilitaries.

His staff have been caught up in bombs, borne the brunt of angry public reaction to atrocities and occasionally confronted direct intimidation from the paramilitaries.

There is no shortage of recruits, however, to work in the BBC's only 24-hour news room outside London which is called on to output to all parts of the organisation. Morning and evening radio news programmes have built large, loyal audiences and now, against the trend, the BBC has invested to beef up its specialist political and security teams.

The organisation, however, faces some tough competition in the local marketplace. Live at Six on UTV, for example, mounts a highly effective effort to win early evening news viewers and strives hard to inject a more intimate, Ulster flavour into its coverage.

All broadcasters in the prov*ince face a common obstacle* and an almost daily headache - the continuing ban on broadcasting the words of representatives of Sinn Féin and extremist paramilitary organisations. Mr Keith Baker, head of news and current affairs, calls it a "preposterous straightjacket" which creates particular problems on live pro*grammes*.

Mr Baker says its judgment on when or when not to include the views of people subject to the government order is more editorial than legal. "We haven't got it wrong yet and I am not sure what would happen if we did; I suppose an angry phone call from the Heritage Department [of the *government*]". The switchboard is standing by.

Britain in brief

Spectrum review plan for radio

The UK government is considering radical proposals for the management of the *radio* spectrum including the possibility of holding spectrum auctions and even the creation of a secondary market in spectrum assignments.

The possibility of radical change in the management of the radio spectrum came yesterday in a consultative document from the Department of Trade and Industry.

The radio spectrum is the complete range of useful radio frequencies covering everything from radio and television to mobile communications, microwave telecommunications links and satellite services.

Ferranti MBOs planned

Management teams running different parts of Ferranti International, the ailing defence electronics group, will this week attempt two buy-outs from the receiver.

One team wants to buy a Ferranti *components division* in Oldham, Greater Manchester, north-west England.

The other, based in Bracknell, Berkshire, near London, wants to buy the software division and enter a supply agreement for hardware from Oldham.

Arthur Andersen, the *receiver, said there was outside* interest in buying the business whole, which might prove more convenient and attractive.

Palace loses Dutch master

Security at Buckingham Palace was under review after a former employee was arrested over the theft of a 17th century oil painting.

- Royal officials only learned that the £100,000 painting by Dutch artist Adriaen Van Ostade had been stolen from a guestroom in the state apartments when it was *offered up for auction at* Phillips Auctioneers in London.

Post Office faces strike

The Post Office faces the threat of disruption from three industrial *disputes*.

Engineering staff working for the Royal Mail in London voted to strike over the proposed closure of half the capital's mechanised letter offices, starting next month.

The Royal Mail's 5,000 *engineering* workers around the country are taking part in a strike ballot in opposition to the transfer of its building engineering services to a separate subsidiary company RoMEC.

On top of this, workers at London's main post offices will strike on March 30 over the issue of post office closures after a three to one majority vote in support of industrial action.

Crossrail plan wins backing

The chairman of a House of Commons committee considering *the £2bn Crossrail* plan for an east-west underground railway link acoss London dismissed claims that the project is doomed.

Mr Tony Marlow, chairman of a committee of MPs considering a bill providing for the link, said the committee was "nowhere near reaching any decision on anything."

Mr Marlow spoke out after reports that the committee had accepted evidence that *the link would be uneconomic.*

UK land prices rise quickly

Land prices have risen exceptionally quickly over the past 12 months, stoking inflationary pressures in the housing market and the general economy, housebuilders warned.

Prices for quality sites have risen by an average of 20 per cent nationally during the past 12 months and by up to 50 per cent in south-east England, according to Mr David Wilson, chairman of Wilson Bowden, one of Britain's most profitable *housebuilders*.

He blamed restrictive planning policies by local and central government for creating a shortage of good sites and forcing up the price of land as the housing market started to recover.

Auditor took BCCI loans

Price Waterhouse, the accountancy firm, received loans or credit facilities in two African countries from the Bank of Credit and Commerce International, its audit client, in possible contravention of professional ethical rules.

The firm said yesterday that it had also received loans from BCCI in Panama and Barbados, and that two of its partners in the Cayman Islands had deposits with the bank.

It said that these transactions had been on normal commercial terms and that they had in no way *affected its audit judgments* on BCCI.

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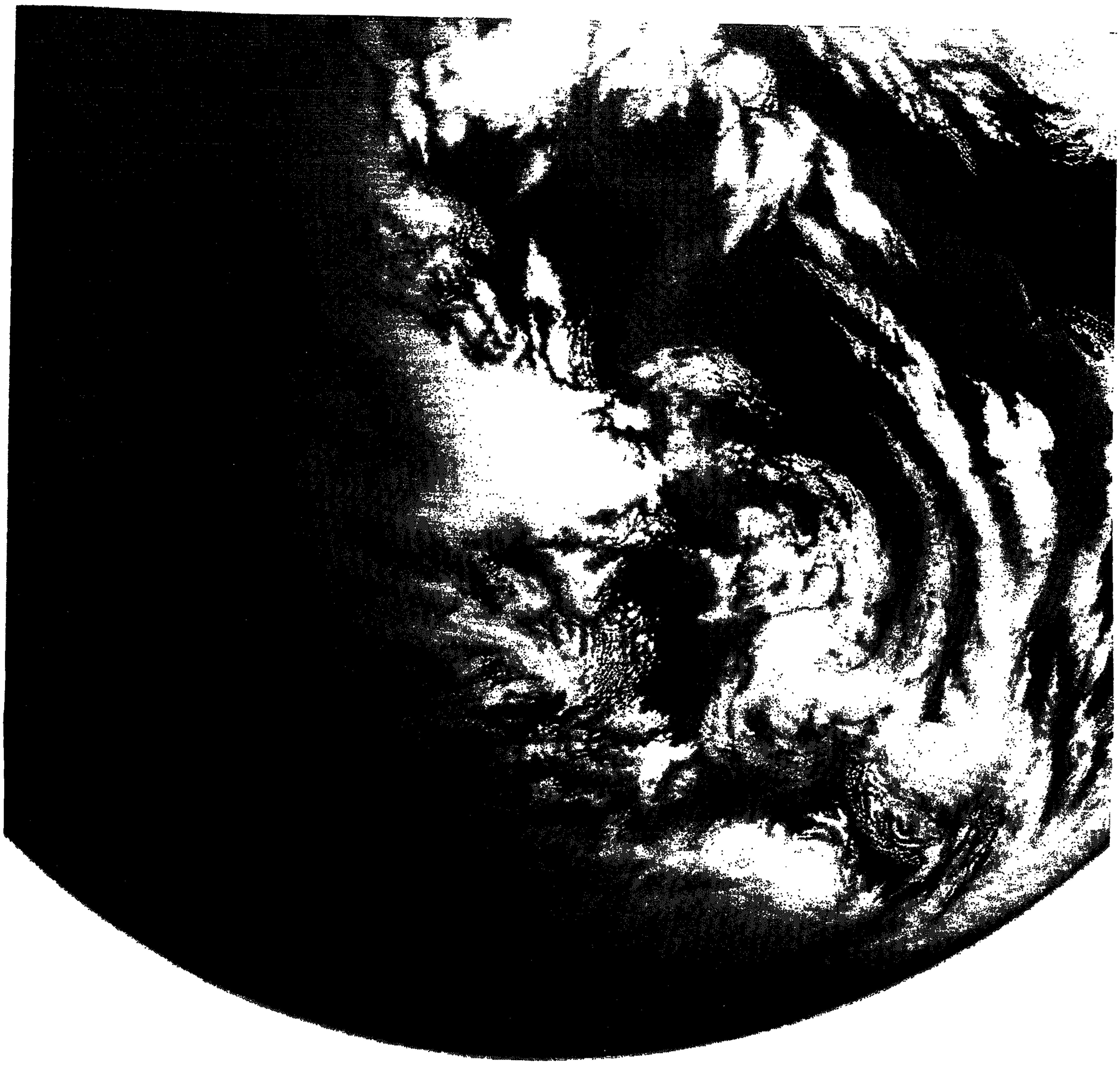


MPs warn of fresh 'civil war' over Europe

By Philip Stephens, Political Editor

Leading pro-European MPs amongst the Conservative party's rank-and-file last night warned of the threat of renewed civil war in the party over Europe after the fierce anti-Brussels outburst in the House of Commons from Mr John Major.

Conservative MPs on the centre and left of the party have been told not to engage in public debate with rightwing Euro-sceptic colleagues to suppress internal divisions before June's European elections.

The instruction, delivered by the Conservative whips, in charge of internal party discipline, but said to have come directly from the prime minister - has up to now met with grudging acquiescence from the members of the party's Positive Europe Group.

But the anti-European tone of the prime minister's comments enraged many of the enthusiasts. They warned that if the row with Britain's partners over voting rights in an enlarged Union was used as an excuse to appease Tory sceptics, the present truce on the backbenches would disintegrate.

Ministers said that Mr Major's comments represented no more than an attempt to convince Britain's European partners of the seriousness of its resolve.

Many on the backbenches, however, interpreted his aggressive characterisation of the opposition Labour party as a "poodle" of Brussels as a clear precursor to an overtly nationalistic stance in the run-up to the June elections. There is a strong suspicion that Mr Major has decided that appeasing the Euro-sceptic right offers the best chance of heading off a challenge to his leadership later in the year.

Members of the Positive Europe group have responded by telling party managers that they will not accept a "bashing-Brussels" platform in the campaign for the European parliament. They believe that by bowing to the right of the party the prime minister is underestimating a potentially far more dangerous threat to his leadership from the centre-left. The pro-Europeans fear that Mr Major's approach could degenerate into a repeat of the disastrous European campaign in 1989.

Mr Douglas Hurd, the foreign secretary, has sought to reassure the enthusiasts that Conservatives will not attack the Union's institutions but focus instead on the dangers of the socialists securing control of those institutions.

But the enthusiasts fear his instincts are being over-ruled by Downing Street, undermining confidence that he will be able to hold the line against the sceptics once the campaign is under way.

Matrix case 'blow to public confidence'

By John Mason, Law Courts Correspondent

Public confidence in the criminal justice system has been damaged by the government's attempt to use public interest immunity to prevent documents being disclosed during the Matrix Churchill trial, the chief prosecutor in the case told the Scott inquiry.

Mr Alan Moses QC also said government ministers must use their discretion when considering making PII applications – a stance that contradicts the advice Sir Nicholas Lyell QC, the attorney general, gave government ministers who signed PII certificates to stop evidence being heard by the Matrix Churchill jury.

Mr Moses said ministers should not apply "mechanically" for PII certificates.

They had to use their judgment about whether release of documents would really damage the national interest. If they thought disclosure would have this effect, they were under a duty to apply for PII.

Sir Nicholas, who gives evidence to the inquiry tomorrow, has argued since the trial that ministers are always under a duty to seek PII and should not use their discretion.

Mr Moses told Lord Justice Scott: "A minister would be ill-advised to sign a certificate unless he was satisfied about the reasoning of the prosecution for fear that he would be accused of withholding documents or signing gagging writs. Then he is subjecting himself to the sort of furore that happened in this case – which is something I can well understand."

The Matrix Churchill trial had produced a reaction that "we the public no longer find it acceptable and cannot have faith and trust in a fair trial if this kind of thing is going on", he said. Mr Moses said he had never been told of the reservations held by Mr Michael Heseltine, the trade and industry secretary, about signing the PII certificates.

Had he known of Mr Heseltine's objections, Mr Moses told the inquiry on Monday, he would have used a different argument in asking for PII to apply.

● Earlier the chief prosecutor launched a scathing attack on the conduct of Whitehall in the case. He told the Scott inquiry that if he had been told by officials about the extent of their knowledge of British arms-related exports to Iraq he would not have gone ahead with the case.

Favourite wins the race to own Epsom

By David Blackwell

The favourite won the race for the Derby yesterday. Racecourse Holdings Trust, owned by the Jockey Club, will be the new owner of Epsom, where the next Derby will be run on June 1.

It will also own Sandown Park and Kempton Park.

The trust, always seen as the safest bet, made a winning bid of £30.25m. This outstripped bids from the two outsiders – Sunset + Vine, the sports television company, and a consortium headed by Mr Stan Clarke, owner of Uttoxeter racecourse.

The three courses were offered for sale in October by the Horse-race Betting Levy Board, which has owned the courses for more than 20 years.

Mr Rodney Brack, chief executive of the board, said the race had been close. All three candidates had satisfied the board's prime demand to safeguard the future of quality racing at all three courses, the highest bidder won.

The Levy Board will face criticism that it has taken the safe option.

The trust, whose main shareholder is the Jockey Club, racing's governing body, already owns nine of the UK's 59 courses, including Cheltenham and Newmarket.

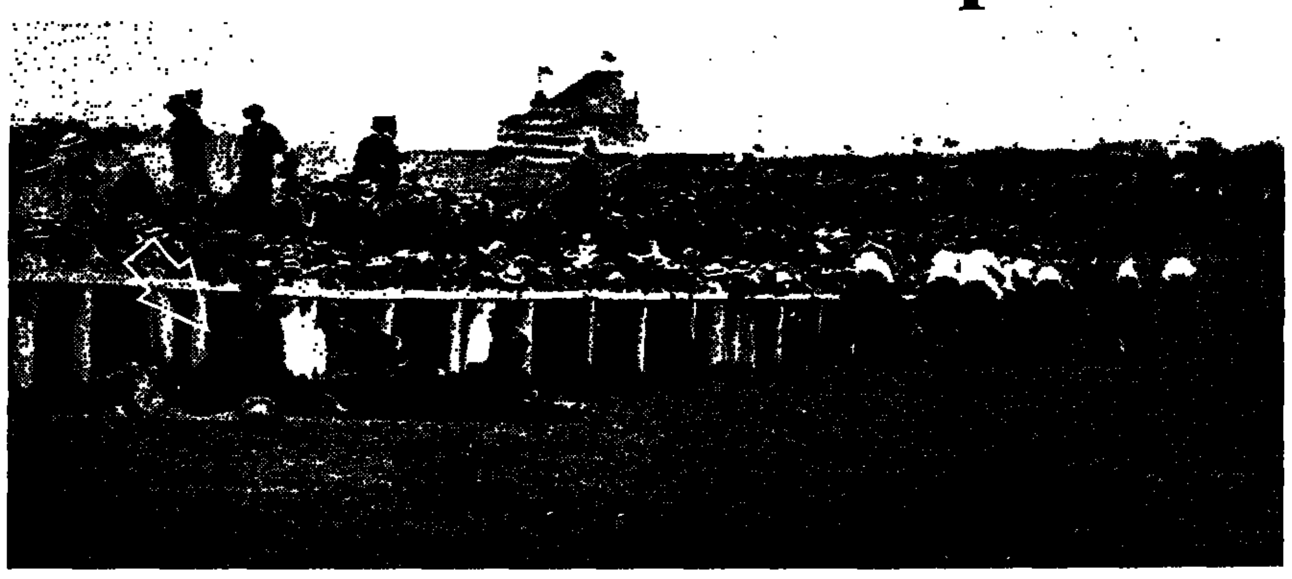
Mr David Hillyard, RHT's managing director, said he was absolutely delighted. Anyone who accused the trust of being establishment and unimaginative "clearly was nowhere near Cheltenham last week" for the three-day National Hunt Festival.

The trust will be borrowing around 70 per cent of the purchase price, which includes £1m related to Derby sponsorship. It is funding the balance from its own resources. The contract is expected to be concluded by the end of next month.

A spokesman for Sunset + Vine said: "Our bid was designed to improve and broaden the appeal of racing to the public, bring innovation and marketing expertise to the world of racing."

Sunset, which has a market value of less than £10m, had lined up an impressive board, including Robert Sangster, the millionaire racehorse owner, David Lloyd, former British Davis Cup tennis player, and racehorse trainer Luca Cumani.

Mr Stan Clarke, who turned Uttoxeter racecourse from losses five years ago, put in a private bid with Mr Anthony Solomons, chairman of Singer & Friedlander, the merchant banking and property group, and Mr Andrew Cohen, the managing director of Betterware, the home shopping company.



For over 200 years the Derby at Epsom racecourse, south of London, has been a part of British sporting history - but in 1913 it made more tragic headlines when suffragette Emily Davison (above) threw herself in front of Anmer, the King's horse, at Tattenham Corner. Her death marked a turning point in the emancipation of women in Britain, writes Christine Buckley.

The Derby is arguably the world's greatest horse race. It began in 1780 and was named after the Earl of Derby, the race's first host. Early in the following century its reputation started to soar with the addition of the One Thousand Guineas and Two Thousand Guineas to the card.

Soon the annual race on the Surrey Downs became a famous day out – "Derby Day" had arrived on the sporting calendar - a mecca for serious racegoers and those in search of a stirring spectacle.

In 1847 Lord George Bentinck, a racing reformer, moved that parliament itself be adjourned for the race - a custom that lasted for several decades.

Derby Day, now the first Wednesday in June, remains an excuse for a large exodus from London as The City heads for the country. It has become one of the main events of corporate entertainment – with dozens of open-top buses emblazoned with company logos lining the course.

Jailed Nissan UK chief appeals

By John Mason, Law Courts Correspondent

The jury in the Nissan UK corporation tax fraud trial was misled over the guilty plea entered by Mr Frank Shannon, the company's former finance director, the Court of Appeal was told yesterday.

The claim was made by Mr Alun Jones QC, appearing for Mr Michael Hunt, the managing director of the former car importers who was jailed for eight years last July after being convicted of a £55m tax fraud against the Inland Revenue, which administers the UK's tax collection.

Mr Hunt is appealing against both his conviction and the length of his sentence.

The offence Mr Shannon admitted to – one of cheating the Revenue – should be declared null and void since the particulars of what he admitted did not amount to cheating the Revenue. Mr Shannon had no knowledge of the particular fraud involved in the charge, Mr Jones said.

Mr Shannon only made the confession after a bargain between himself and the Revenue in which he agreed to settle his outstanding tax liabilities and plead guilty to the one offence, he said.

This meant he would have to pay no more money to the revenue and avoid further prosecutions. The Revenue could also claim success from his conviction, Mr Jones added.

However, the jury hearing the case against Mr Hunt were told Mr Shannon had pleaded guilty to a similar charge to one of those brought against Mr Hunt.

"The jury have simply been misled about what the plea of guilty is," Mr Jones said. Mr Hunt's conviction should therefore be overturned, he argued.

The appeal is expected to last five days.

BUSINESS AND THE ENVIRONMENT

WORLDWIDE WASTE

US finds traditional disposal hard to beat

Strict government rules have failed to achieve their goal of cutting the use of landfills, writes **George Graham**

Solid and hazardous wastes in the US have come under increasingly complex laws and regulations. Starting with the Resource Conservation and Recovery Act of 1976, which set up a complete management system for hazardous wastes and established disposal criteria for other categories of solid waste, the federal government's restrictions have had far-reaching effects on waste management.

Not all of the rulemaking has been successful. The Superfund legislation of 1980 and amendments of 1986 have had unintended consequences and have failed to achieve their main purpose, which was to provide for the clean-up of toxic dumps. As a result, the Environmental Protection Agency is trying to push yet another Superfund reform through Congress.

Government efforts to direct waste management practices have also stumbled over simple economics: traditional methods of disposal such as landfills have remained stubbornly cheap, while favoured approaches such as recycling have generated a glut of unsaleable materials.

The US produces around 196m tons of municipal waste a year – about 4.3lbs per person and almost double the norm in other industrialised countries.

The EPA estimates that the US spends about $35bn (£23.9bn) a year on collecting and disposing of municipal solid waste, managing hazardous waste and cleaning up underground petrol and chemical storage tanks.

Spending in these areas is rising faster than on any other category of environmental regulation. The Congressional Budget Office calculates that cleaning up Superfund toxic waste sites alone – excluding dumps on federal government property – will cost a total of $75bn. A separate estimate by the University of Tennessee puts the price at $151bn.

To deal with solid waste, the EPA has set up a hierarchy of management techniques:

1. Reduce waste by preventing its creation;
2. Recycle and compost as much as possible;
3. Incinerate or treat waste in other ways to reduce its volume;
4. In the last resort, landfill.

Of these approaches, reducing the source of the waste may be the most promising because the cost to businesses of installing new equipment can often be offset by savings on reduced raw material consumption.

Environmental groups also argue for consumers to play a role in source reduction through "precycling": choosing products which use less packaging or avoiding throwaway products.

Recycling has proved a more mixed blessing. Many states and cities have set ambitious goals: between 1989 and 1992 the proportion of municipal rubbish recycled rose from 9 per cent to 14 per cent, while the proportion sent to landfills dropped from 84 per cent to 76 per cent, according to the World Resources Institute's Environmental Almanac.

Seattle is often cited as the example for recycling. In 1989, the city raised its charge for picking up a second rubbish bin from $5 to $9 per month, and lowered charges for customers who recycled. By 1991, that fee increase had cut the proportion of households who put out a second bin from 39 per cent to 11 per cent. With other initiatives on recycling and source reduction, Seattle cut the solid waste it was disposing of by a quarter.

But with a sluggish market for recyclables, it can now cost Seattle $10 a ton to get rid of recycled newspapers where it was once paid $10 a ton, and the city has had to stockpile or even landfill some recyclables such as glass.

Critics of the EPA's insistence that recycling must come before other waste management techniques say there is a natural limit at around 30 per cent recycling, where simple economics override government policy.

President Bill Clinton's recent order that the federal government must double the recycled content of its paper to 20 per cent is expected to boost the recycled paper market.

Incineration has also gained ground in some states, especially in the north-east. Maine and Massachusetts incinerate more than 40 per cent of their solid waste, while Connecticut incinerates nearly two-thirds.

Incinerator construction is spurred largely by the difficulty some cities have in persuading other localities to take their rubbish for landfilling, but incinerators are still greeted with universal suspicion, and no one wants them in their back yard.

Landfill ranks at the bottom of the hierarchy, and it had been widely expected in the 1980s that tougher operating standards imposed by EPA and by the states would also make it less attractive in financial terms.

Although the number of landfills open to receive waste fell from 20,000 in 1978 to 6,000 in 1986, the anticipated shortage of landfill space has not materialised. With dumped volumes dropping off in the recession at the start of the 1990s, solid waste companies have seen their earnings fall.

The one place where landfills have been filling up rapidly is in the Mississippi basin, where last year's floods produced a morass of debris and sodden sandbags. In most cases, however, dump operators had to waive fees.

In the end, the sheer accumulation of waste at the rate of nearly 200m tons a year will lead to shortages of landfill space. But for the foreseeable future, landfills remain the dominant form of waste disposal because they are the cheapest.

Blasting or gouging out stone leaves unsightly scars: McAlpine's Penryn slate quarry, Bethesda, north Wales

Quarries head for the coast

Andrew Taylor looks at proposals to limit the damage caused by extracting materials for the building industry

Rock, sand and gravel, gouged or blasted out of great quarries, are irreplaceable as basic building materials. But does Britain want large unsightly holes scarring its countryside? And what of the environmental damage caused by huge trucks carrying stone to build yet more roads?

UK ministers are pondering these questions as they prepare guidelines for local authorities, which are establishing planning targets for aggregates' extraction into the next century.

The government's findings could determine the future of hundreds of millions of pounds of investment proposed by British building material companies for a new generation of coastal super-quarries in Scotland and Scandinavia.

These quarries would reduce pressure on Britain's shrinking countryside in southern England and the Midlands but would be viable only if the price of aggregates were to rise, providing investors with an acceptable rate of return.

A consultation paper published by the Department of the Environment 14 months ago suggested the restriction of aggregates extraction in some of the more politically sensitive regions. It also proposed inhibiting the rise in sea-dredged sand and gravel, partly to protect coastal fishing.

The policy would conserve valuable and irreplaceable land-based reserves, requiring the industry to switch to other sources, the department said. These would include Scottish quarries, imports and recycled or secondary materials such as slate, colliery spoil and china clay waste for landfill.

Similar deliberations are taking place in other large European countries where concern for the environment is equally high on the political agenda. Tarmac, the construction group, which is currently considering spending up to £75m on a Norwegian coastal quarry, says the investment would work only if Britain and Germany took a large proportion of the output.

Publication of the British guidelines, however, is already 10 months late, emphasising the difficulties faced by domestic politicians who wish to display their green credentials without damaging the construction industry – considered to be an important engine for growth for the economy.

Neither are the arguments as simple as they might first appear. Otherwise, companies such as Tarmac would have leaped at an opportunity to raise prices and improve margins, which have been eroded heavily during the UK recession.

The DoE consultation paper contained two options, based on forecasts of construction demand up to 2011.

The option preferred by the department would reduce the percentage of locally produced rock, sand and gravel in England and Wales from more than 80 per cent to 64 per cent, and cut marine-dredged aggregate from 7 per cent to 6 per cent. Imports from Scottish quarries and elsewhere would be expected to rise from 1 per cent to 9 per cent, while the use of secondary and recycled materials would rise from 10 per cent to 16 per cent.

A second option, preferred by building material suppliers, would require a more gradual reduction in land-won supplies, with the proportion of crushed rock remaining constant at about 50 per cent but with sand and gravel, mostly from south-east England, falling from 32 per cent to 24 per cent by 2011.

Marine-dredged sand and gravel would rise to 8 per cent, requiring a lower increase in imports to 6 per cent by 2011, compared with 18 per cent in the department's preferred option.

The BACMI, the British Aggregate Construction Materials Industries trade association, says its members recognise the need to consider the environment but that the department's option could create worse environmental problems.

Deliveries of aggregates by sea from Scotland or Scandinavia would require large port facilities for unloading, storage and transfer to land-based transport. Construction is a fragmented activity and most deliveries would still need to be made by road.

Land-based quarries are traditionally within 30 miles of most of their customers. Deliveries from coastal areas or rail depots would require much greater lorry distances to be travelled.

Alternative materials such as slate create their own environmental problems and often cannot replace traditional aggregates for technical or cost reasons, the BACMI says. An attempt to use china clay sand from St Austell in Cornwall as a substitute for embankments and fill on the new Severn Crossing failed after it was realised that "this would involve 500 vehicles a day for more than a year – some 68m heavy goods/vehicle miles".

The BACMI advocates an increase in sea-dredged aggregates which, it says, affects only 0.03 per cent of the sea bed in the North Sea compared with 54 per cent affected by fishing. It says the Ministry of Agricultures receives virtually no complaints from fishermen about marine dredging.

Companies say a more restrictive planning regime will not necessarily lead to higher aggregate prices needed to make investment in Scotland and Scandinavia attractive.

Tarmac says that at present extraction rates shortages may not start to emerge for at least four years. Moreover there is sufficient flexibility in existing planning permissions for operators to increase production in the short term. Falling demand for construction during the recession has meant that annual production of aggregates in England and Wales has fallen by 23 per cent since 1989 from 300m tonnes to 230m tonnes.

Given the uncertainty over demand and supply, it may still be difficult for companies to commit the £50m-£60m needed to open a coastal quarry even if a more restrictive policy is introduced.

The BACMI, which says that quarry operators have become more sensitive to environmental considerations, favours a more gradualist approach and would prefer a compromise between the two options.

MANAGEMENT

John Drummond considers how to achieve an ethical balance in business operations

Saints and sinners

Most commentators accept that commercial life is increasingly hedged around with choices about profits and ethics. But while the debate on how an individual's standards are formed has been under way for centuries, how can organisations sensibly develop an ethical position? The diagram alongside shows how US academics Eric Reidenbach and Donald Robin, professors of marketing at the University of Southern Mississippi, have established a sort of moral pyramid to demonstrate the range of corporate attitudes. European companies, too, can use this theoretical model as a basis for dealing with ethical issues.

It is important to note that a multi-divisional company may occupy several stages at the same time, and companies may also regress from higher to lower levels. At the base are the amoral or "ethically challenged" companies, none of whom, one suspects, will be reading this. They are around strictly for the short term, and are characterised by "winning at all costs". Obedience is valued and rewarded and there is little concern for employees other than their value as an economic unit of production.

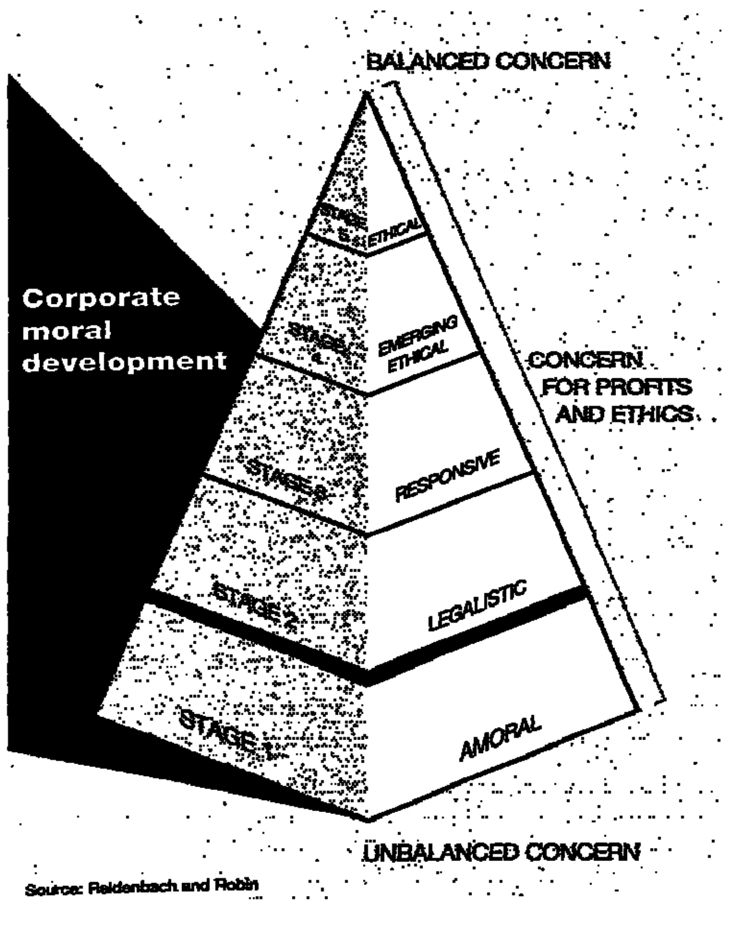
The ethical climate of a stage one organisation can be summed up by phrases like "they'll never know", "everybody does it", and "we won't get caught". At the heart of this organisation is the philosophical conviction that business is not subject to the same rules as individuals and that there is no set of values other than greed.

At stage two are the legalistic organisations. They obey the law, though ethical concerns are judged on the basis of adherence to the letter if not the spirit of it. No breach of law often means no breach of ethics. "If it's legal, it's OK and if we are not sure, have the lawyers check it out," typifies the legalistic approach. Economic performance dominates evaluations and rewards. A legalistic company's code of ethics – if it exists – would be dominated by "don't do anything to harm the organisation" statements.

Some legalistic companies have no ethics code, and do not accept the necessity. Often they see little purpose in expressing explicit ethical standards, and indeed some feel any such statements could lead to difficulties and complications.

Most stage two companies would leave ethical concerns aside until they become a problem; only then would they consider remedial action.

This ignores two crucial points. First, all organisations have ethical standards even if they are not explicit. Some things are seen to be acceptable, others are not. However, when there is no consistent understanding and application of those standards the inevitable result will be internal, and ultimately external confusion.



Source: Reidenbach and Robin

Second, waiting for a problem to occur is not sound management practice. And the consequences can be very serious, particularly in terms of risk to reputation. As never before, the media and others are now sensitive to ethical breaches. It is increasingly unlikely that ethical transgressions will go unnoticed. Remember the nostrum: "News is what someone somewhere doesn't want to see in print, anything else is advertising".

Stage three contains the responsive companies. Managers in this category understand the value of not acting solely on a legal basis, even though they believe they could win. Although a reactive mentality may remain, it is coupled with a growing sense of balance between profits and ethics. Nonetheless, the basic premise still may be a somewhat cynical "ethics pays".

Management begins to test and learn from more responsive actions. A responsive company's ethics code would reflect a concern for other stakeholders, but additional ethics support vehicles, such as hotlines, are less likely to be found.

Reidenbach and Robin describe stage four companies, somewhat controversially, as "emerging ethical". A better term might be "ethically engaged". Managers have an active concern for ethical outcomes: "We want to do the 'right thing'." Values are shared across the organisation. Ethical perception has focus but may still lack organisation and long term planning.

Ethical values in such companies are part of the culture. Codes of ethics are action documents, and contain statements reflecting core values. A range of ethical support measures are normally in place, such as ethical review committees; hotlines; ethical audits; and ethics counsellors or ombudsmen.

Problem solving is approached with an awareness of the ethical consequence of an action as well as its potential profitability, and pains are taken to uphold corporate values. For example, the European region of a leading international chemical company surveys staff understanding of corporate ethical standards and acts on any dissonances.

Most progressive European companies would, one suspects, see themselves as stage three or four. At a minimum they do have ethics codes aimed at all stakeholders. They recognise that ethics comes from the inside out, and that a mission statement, for instance, is not the same as an ethics code. They are not blind to the promotional advantages of high ethics in the "caring '90s" but they understand that without employee commitment, any form of ethically orientated marketing may be at least meaningless or at worst, counterproductive.

Stage three and four companies also accept that their code of ethics is a starting point – any code not monitored and enforced rapidly becomes a dead letter. One leading UK bank has put in place a range of instruments for enlisting staff commitment to its code, including ethics hotlines and regular assessment of code effectiveness.

Lastly, stage five represents what the researchers call the ethics organisation. Here there is a total ethical profile, with carefully selected core values (and an approach to hiring, training, firing and rewarding) which reflect it.

The answer is not to attempt to turn staff and companies into saints, but rather to strike a suitable ethical balance in business operations, to minimise reputational risk.

The author is managing director of London-based Integrity Works. He is also co-author of Managing Business Ethics, published this week by Butterworth Heinemann. Price £17.95.

BOOK REVIEW

The continuing search for excellence

By Christopher Lorenz

When Tom Peters and Robert Waterman were consultant colleagues in McKinsey & Co's organisation practice in the 1970s, Waterman played godfather to Peters, the brilliant but reckless junior. But since they went their separate ways after the staggering success a decade ago of their best-seller, *In Search of Excellence*, it is Peters who has had the higher profile.

His string of charismatic shockers, notably *Thriving on Chaos and Liberation Management*, eclipsed the quieter Waterman's equally perceptive works, *The Renewal Factor* and *Adhocracy: The Power to Change*.

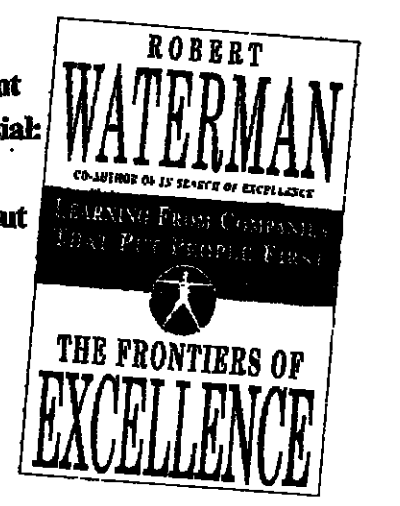
With this latest volume*, *The Frontiers of Excellence*, Waterman deserves to hit the same heights as Peters. In the US, where the book's local title is *What America Does Right*, its timing is especially good: after several years of self-doubt, American business is ripe for the same sort of confidence-booster that *In Search of Excellence* proved in 1982-83.

The core of Waterman's message is captured in his subtitle: *Learning From Companies That Put People First*. His argument is simple if controversial: that today's top companies, like those which have remained successful over the long term, do not put the shareholders first. Instead, they pay primary attention to employees and customers. As a result they perform far more effectively than their rivals, and thereby deliver superior results to their shareholders.

They do this, says Waterman, by being better organised to meet the needs of their employees, thereby motivating them unusually well; and to meet the needs of customers by being either more innovative, more reliable or cheaper – or all three.

This is simple to state but difficult to achieve. Waterman devotes almost the entire book to examining how 10 US organisations "put people first"; how the courier company Federal Express strikes an ideal balance between what he calls "potentially oppressive systems and the cheerful attitudes of a deeply enthusiastic workforce"; how Levi Strauss, the clothing manufacturer, creates employee commitment and a set of empowering "shared values" in a sweatshop industry; how household goods company Rubbermaid and consumer products group Procter & Gamble have remained so innovative for so long; how Motorola's 50-year-old maxim of "anticipate and commit" has inspired the telecoms company to change its business several times and improve product quality; and so on.

'Waterman's argument is simple if controversial: that today's top companies ... do not put the shareholders first. Instead they pay primary attention to employees and customers'



Along the way, Waterman provides several valuable insights: into the nature of leadership in a decentralised, shallow organisation ("today's leaders understand that you have to give up control to get results – they act as coaches not as 'the boss'"); into the importance to strategic success of building relationships with customers and suppliers that are hard for rivals to duplicate; and in the consequent need to organise outwards and downwards to please customers and employees, rather than upwards to please the boss.

These principles emerge from the wealth of practical detail, so that the reader has a sense of learning alongside Waterman rather than being lectured.

That said, the book has minor flaws. Prime among them is Waterman's very enthusiasm, boyishly infectious though it is for the most part. His celebration of P&G's innovation, and its history of encouraging self-managed teams in several factories, hardly pauses to consider claims that its head office has a Stalinist, oppressive culture.

Waterman also concentrates too much on the well-known potential for companies to liberate the initiative of their frontline employees. Far too little of the book deals with the trickier and more complex question of whether middle and senior managers – those who keep their jobs – can be liberated in similar fashion.

Waterman also ducks the thorny question of why some great companies stumble badly, while others remain vibrant.

To conclude that we should "learn from the best while they're good and move on when they lose their edge" is a cop-out unworthy of the manifest intelligence which Waterman shows in the rest of this very readable book.

** The Frontiers of Excellence, published in April by Nicholas Brealey Publishing, price £16.99 (in the US: What America Does Right, published by Norton, $25).*

PEOPLE

Neil Richardson joins Ian Martin's Glenisla

Neil Richardson, 37, (right) has been appointed as the first investment director of Glenisla Group, the privately held London-based investment firm set up *last month by Ian Martin* with financial backing from Kohlberg Kravis Roberts, the Wall Street leveraged buy-out specialist.

His appointment marks the first step by Martin, chairman and joint founder of Glenisla and formerly deputy chairman of Grand Metropolitan, towards putting together his team of financial experts.

Glenisla has been set up to *seek out undervalued investment* opportunities in the UK and western Europe in a wide range of consumer and non-consumer industries. According to Martin, Richardson will be responsible for "identifying and developing acquisition opportunities, assessing potential targets and overseeing transactions through to completion".

Richardson moves from CS First Boston where he has been director of UK mergers and acquisitions and instrumental in building up CS First Boston's European merger and acquisition business which now employs 45 professionals in London. At CS First Boston Richardson was responsible for creating and overseeing transactions such as STC's sale of an 80 per cent stake in ICL to *Fujitsu, Burton Group's sale of* its financial services operations to GE Capital and House of Fraser's sale of its credit operations and recent overall restructuring.

Over the past decade, Richardson has been involved in transactions with an aggregate value of over $10bn. Before joining CS First Boston in New York in 1986, he spent six years with Bain & Company, the strategy consultants.

Richardson was educated at Ashington Grammar School in *Northumberland* where he was one of the first pupils to gain admission to Oxbridge. He read chemistry at New College, Oxford, and spent his final year researching the photochemistry of the ozone layer.

■ **Dennis Millard**, a US citizen who has spent the past seven years based in the UK as director of finance and strategy at Plate Glass Group, which is listed in South Africa, has been appointed finance director at MEDEVA.
■ **Ralph Ellis**, chairman of British Gas South Eastern, has been appointed director *of property at BRITISH GAS.*
■ **Alastair Wilson**, formerly md of William Younger (Yorkshire), has been appointed md of Newcastle Breweries, part of SCOTTISH & NEWCASTLE BREWERIES; he succeeds **Haydn Biddle**.
■ **David Walker** (above left), formerly divisional director with Lex Retail Group, has been appointed md of HYUNDAI CAR (UK).
■ **Simon Norris** (above right), formerly head of employment strategy at part of British Aerospace, has been appointed personnel director of REMPLOY on the retirement of **Mark Daymond**.
■ ***John Bamsey***, formerly md of Salisburys, part of Signet Group, has been appointed md of HILTON National.
■ **Lawrence Condon**, sales and marketing director of Anglian Windows, has been appointed to the board of ANGLIAN GROUP.
■ **Stewart Gilliland** has been appointed director of take home and to the board of WHITBREAD Beer Company.
■ **George Sutherland**, formerly financial controller in Hong Kong for Shell International Petroleum, has been appointed director of finance of the UNIVERSITY OF EDINBURGH.
■ **Ooi Boon Aun** has been *appointed a director of* LONDON FORFAITING COMPANY.

Graham Watson changes teams

Graham Watson, one of Scotland's leading corporate finance specialists, has become a partner of the accountancy firm Touche Ross. He wants to help make its Scottish branch into a leading adviser on corporate finance north of the border, eventually, he hopes, putting it on a par with Scottish merchant banks such as Noble Grossart.

Watson, 36, worked at Noble Grossart for eight years after training as a CA. In 1991 he resigned as a director to set up Carnegie, giving financial advice to sportsmen and football and rugby clubs.

He had already come up with the debenture issue which enabled Rangers to finance a new stand and had launched a similar issue for Arsenal, before advising the Scottish Rugby *Union on its £37m* Murrayfield stadium project. Carnegie looks after the affairs of golfer Sam Torrance and footballer Ally McCoist.

Last October Watson unexpectedly resigned as MD of Carnegie because of disagreement over strategy with its main shareholder, David Murray, chairman of Murray International and of Rangers. Carnegie subsequently moved its *HQ from Edinburgh to London* and opened up in New Zealand and New York.

Touche Ross already has two partners in Scotland dealing with corporate finance, David Shearer and Peter Holmes, who *last week took credit for devising* the £72m management buy-in of 25 engineering subsidiaries of Cookson, the specialist industrial materials group.

Watson says that since firms like Touche Ross already provide companies with tax advice and management consultancy, "there is no reason why we should also hand over to merchant banks the role of being corporate *finance advisers as* well".

Non-executive directors

From this Friday, John Devaney, chief executive and managing director of Eastern Electricity, will join the board of Midland bank as a non-executive director. On the same day, Sir Colin Marshall, chairman of British Airways, will step down from *the Midland* board while remaining a non-executive member of the board of HSBC, which owns Midland.

Three months later, Tony Hales, chief executive of Allied *Lyons*, will become a Midland non-executive, bringing the non-executive element of the 13-strong Midland board back to full strength. It has been one short since Charles Mackay, chief executive of Inchcape, stepped down a few months ago.

■ **Martin Llowarch**, already on the board, as deputy chairman at ABBEY NATIONAL.
■ **Clive Clague**, recently retired director at Electra Investment Trust, at ON DEMAND INFORMATION.
■ **David Hodgson**, senior partner of Paterson Bateman and Hodgson, as chairman at *the BEVERLEY BUILDING* SOCIETY.
■ **Lord McAlpine of West Green** at *DEVELOPMENT* SECURITIES; and **William Grant** at DEVELOPMENT SECURITIES PROPERTY INVESTMENTS.
■ **David Swallow** has resigned from BRENT INTERNATIONAL.
■ **David Benson**, a director of Sea Containers, at the ISLE OF *MAN STEAM PACKET* COMPANY; **Michael Aiken** has resigned.
■ **Keith James**, former senior and founding partner at Needham and James, at HUNT & CO.
■ **Jonathan Davies** has resigned from HTV GROUP.
■ **Peter Newton**, former director of County Natwest Securities Australia, at GEMCOR.
■ ***Bill Richardson***, *retired* director of commercial services at British Steel, at STEMCOR HOLDINGS.
■ **John Dowling**, former chief executive of Charrington Industrial Holdings, as chairman at WORLD FLUIDS HOLDINGS.
■ **Mark Radcliffe**, a director of the SFA and chairman of the Stock Exchange Working Party on smaller companies, and *formerly a director of TI* Group, at WILLIAM JACKS.

The Morris Minor of jazz

Garry Booth reviews Jimmy Smith and his B3 Hammond organ

Dated but lovable and reliable, it simply will not go away. Though it first appeared over 40 years ago, the Hammond B3 organ's teeth grating treble sound is as popular with today's hip set as it was during the heyday of greasy soul jazz. Given the other uses to which the instrument has been applied – in gloomy cocktail lounges and brightly lit social clubs – it is a wonder that every one has not been smashed up and buried in a secret place.

It is the Morris Minor of the jazz world and the reason there are still so many on the road, held together by gaffer tape and nicotine, is that in the right hands the Hammond can be made to swing like crazy. Few other instruments, running on a mixture of gospel and blues, can transport a small group to the heights a B3 can. Usually found in the company of an electric guitar and drums (or tenor sax and drums) the Hammond driver can prod out solos, or provide mounting excitement for other soloists to adorn, and all the while moving things along with thick bass lines from the pedals. The purists might even use an original Leslie speaker, a device whose spinning reflector emphasises the already shrill vibrato. More often the original is souped up by new technology – the young German player, Barbara Dennerlein, heard at Dingwalls last week, makes the most of her deft left foot by using a sampled double bass sound for the pedals, in the place of the gritty original.

It is unlikely that the Hammond would have got this far without the attention of one man. Jimmy Smith single-handedly reinvented the Hammond organ sound in the late 1950s with a series of jam session recordings for the Blue Note label. Sizzling blues which wrung the lowdown best from horn players like Lou Donaldson and Jackie Maclean were an instant success. Apart from taking a wrong turning into pop-crossover in the latter part of the 1960s, Smith has been following that same, funky road since.

Seeing the youthful Smith, seated behind the varnished façade of his B3 at Dingwalls five nights this week with a quartet of saxophones (Herman Riley), electric guitar (Terry Evans) and drums (Jimmie Smith Jnr), the years roll back. The tunes are almost irrelevant: it is the groove that is important to Smith, an inveterate crowd pleaser. The preacher sends flurries of titillating notes out from the right hand, a padding of droning chords from the left. His guitarist, while not up to the kind of licks Kenny Burrell would spin from the organist's chords, is suitably twangy and sings a passable "Georgia"; Riley's upper register sax sound providing gritty solo parts, and jocular conversation with the leader. And yes, "Back To The Chickenshack" did creep out, deliciously.

But on Monday Smith sometimes seemed too relaxed and verged dangerously towards the cocktail lounge end of bland, tinkling improvisation. An instinctive and competitive player, Smith always excels in tough company and is capable of leading the best of jazz bluesmen. Hearing him in undemanding company like this is still a joy – but what a pity Burrell cannot be prised away from B.B. King for a reunion match.

You may have to seek it out, but you can still find the sort of television you may have forgotten was possible: Ron Moody in 'Newton's Revolution'

Television/**Christopher Dunkley**

Enlightenment for all

Did you see that excellent programme *Modern Art* about the Musée d'Orsay? Tim Benton expressed the intriguing thought that the curators exhibited the Impressionists but did not dare put out their big collection of "pompier art" – all that 19th century wedding cake stuff – although they recognised its historic importance, because they feared that people might think they actually liked it.

And what about that documentary on the development of the bicycle, *Design Principles*, which showed that some of the best designs have never been mass produced because of bureaucratic rules about the definition of "bicycle"? Did you catch Ron Moody playing Aristotle, Galileo and Newton in that short drama about the beginnings of physics, *Newton's Revolution*? Or see the eye-opening programme *Managing Schools* which showed how the theory of "collegiality" (oh dear) has led to committee mania with some teachers now seeming to spend as much time referring up or down and making references back as they spend in the classroom?

If the answer in each case is no, it is hardly surprising, because none of those programmes was trendy or "sexy" within television's special definition (striking and appealingly fashionable). They were not made to win big ratings and, since none of them appealed to the lowest common denominator, they were not promoted by the BBC which screened them all. Indeed, the BBC barely acknowledges their existence. They are all Open University programmes, and consequently shown on BBC2, early in the morning or late at night, coned off behind the OU logo.

Yet they are available to us all, and if you seek them out – loading the video recorder each night with a three-hour tape timed to start at 6.15 in the morning is the best way – you find yourself watching the sort of television which you may have forgotten was possible. Television does not have to come at you all the time like a fairground stall staffed by teenage speed freaks. There is a calmness and an intelligence here which is wonderfully refreshing.

Of course not all OU programmes are made to the same standard, or in the same style, and, unless you are a true polymath, some will leave you baffled. I stuck with *Genetics – Beyond The Double Helix* while they explained how miles of DNA is coiled up neatly to get it inside a cell, but when they began to assume that I knew the meaning of things such as "X-ray diffraction" I gave up. *Pure Maths: Orthogonal Bases* I deserted even faster since I did not understand the symbols.

However, at the other end of the spectrum are programmes which are almost indistinguishable from the more serious offerings in mainstream television. Some, such as an episode in the *Technology* series billed as "Eurekaargh!", turn out to be literally indistinguishable: this was an old *Horizon* programme about the exploitation of patents. *Performing Art*, which was simply billed as the midnight programme on BBC2 on Tuesday last week without any reference to the OU (probably sensible if the BBC wants to maximise its audience) was an engrossing report on the huge success of the new Tate Gallery in St Ives. True, it was more concerned with the creation and organisation of the gallery than with the pictures on the walls, but it could have stood up in any of television's arts slots. It was far more interesting than much of the overwhelmingly metropolitan material on *The Late Show*.

Filling the remarkably large central area between the bewilderingly specialised and the universally appealling are many programmes which, while slightly more pedagogic than we would expect these days from mainstream television, are perfectly comprehensible to anyone with a reasonable education. Many are on subjects which mainstream television either ignores or treats only in a destructively reductionist manner.

Outstanding in my two-week sampling was the first in a series called *Lifestyles, Work And The Family* which compared changing expectations and social attitudes between two generations of doctors in one family and two generations of steel workers in another. No doubt this would be considered not punchy enough for television's normal current affairs series, yet in terms of history, politics in the broadest sense, and sociology, it is powerful stuff.

The episode "It's A Lovely Day Tomorrow" in the series *Science, Technology, And Everyday Life* was a startling reminder of the Pollyanna attitudes towards scientific "progress" in the first half of the 20th century. Best of all, perhaps, was another episode in the *Modern Art* series which ranged widely from a discussion of attitudes towards women in pictures by Degas and his contemporaries to an exploration of the redevelopment of Paris by Haussmann; an utterly absorbing programme.

The style may sometimes jar a little. It is usually fairly obvious that the presenters are academics first and broadcasters second, though none that I saw was completely inept, and presentation has improved since the early days. Although the flared trousers and Zapata moustaches which, thanks to repeats, appeared to survive for so long as a uniform among OU presenters, have now (almost) all gone, you can still find yourself brought up short by some Marxist comment which sounds endearingly dated, five years after the fall of the Berlin Wall. Similarly you can still come across old fashioned finger-wagging feminism, yet both are now exceptional.

There is another difference between OU material and other television programmes. Difficult to pin down precisely, the most important aspect is probably that OU personnel do not feel compelled to strain perpetually for "balance", either politically or between any other schools of ideas. As often as not the OU tone indicates the sort of detachment and scepticism regarding all traditional and received wisdom which is such a healthy aspect of the better sort of academic life. A little more of it in mainstream television journalism could go a long way.

Theatre/**Malcolm Rutherford**

The Case of Rebellious Susan

What a marvellous place the theatre must have been at the beginning of the present century: Ibsen, Strindberg, Chekhov, Wilde, Shaw, Granville-Barker bursting out all over. And so modern. Here were grown-up plays for grown-up people: articulate and educated writers providing for an equally educated audience. No doubt it was very middle class and possibly slightly earnest, but it was *theatre*.

In Richmond the tradition continues. Even the revival of an almost forgotten play – *The Case of Rebellious Susan* by Henry Arthur Jones – has the house captivated almost throughout.

The piece has its faults. First performed at the Criterion in 1894, the text was tampered with by the actor-director Charles Wyndham on the grounds that the original might have been too shocking. In the version that has come down to us, it is not quite clear whether Susan has committed adultery in Cairo in order to show that what a husband can do a wife can do too. Her disaffection may be all an elaborate pretence.

There are other ambiguities. Not all the motivations are intelligible. Who was the only love of the divorce lawyer, Sir Richard Kato QC? Moreover, the play ends on a note of sentimentality not wholly in line with what has gone before. Perhaps Susan should have stuck to her rebellion.

Nevertheless, she puts up a good fight. So do some of the other women. Kato has a young ward called Elaine Shrimpton. Her oratory leads to the storming of the Clapham Post Office, fully reported in The Times. Admiral Darby, one of the more unfaithful of the species, has a very forgiving wife, significantly called Victoria. The house where the revolutionary Elaine lives in south London is in Gladstone Road.

Clapham indeed comes in for a good deal of stick as being a boring, conventional London suburb. This goes down extraordinarily well in front of a Richmond audience.

One cavil. If you are going to revive a play like this, you must pay every attention to detail. The set in the lovely, tiny Orange Tree theatre brings it off. Yet some of the costumes do not quite fit. I cannot imagine that Sir Richard Kato would wear a morning coat that looks as if it has been picked up from Oxfam. Kirky, the footman, also looks a bit scruffy.

For the rest, however, this is a scintillating production directed by Auriol Smith. Is it a comedy or a tragedy? In the course of the play Jones seeks to answer the question himself: "My comedy isn't a comedy at all. It's a tragedy dressed up as a comedy." That is about right. Sarah-Jane Fenton as Susan becomes steadily more attractive as the piece goes on.

Orange Tree, Richmond. (081) 940 3633

Ageing into Variety

Antony Thorncroft finds alternative comedian Paul Merton distancing himself from his television past

It is just like the good old days at the Palladium for the next week or so. There is a comedian topping the bill, telling jokes, performing sketches, getting involved in slapstick.

The fact that the jokes (Man: "Got a copy of Psychic News? Shopkeeper: "You tell me".) have the patina of history; the sketches (the blindfolded Great Mystero just cannot conjure up a right answer for his feed) are of Victorian vintage; and the slapstick (two men compete for the favours of a third wearing a skimpy bikini) had them roaring at the Coliseum – in Rome – add to the warm glow of communal memory.

The only thing slightly disturbing is that this is Paul Merton's show, Merton the cynical, deadpan, alternative comedian.

Although Paul Merton rose to TV fame through stand-up routines in comedy clubs, he has always been too laddish to be your typically PC-alternative ranter. His audience is the lower middle class and it was out in force on Monday, willing their boy on. He got there in the end, but it was a tough battle.

Only in a protracted skit on *Aladdin*, with Merton somehow playing Buttons, did the Palladium come to life. (Buttons "I haven't got any friends". Audience: "aaah". Buttons – aggressively – "Don't you patronise me").

Merton shares the stage with Lee Simpson and Richard Vranch. Perhaps it is inevitable that the young Turks of comedy eventually age into variety stars, but there is something dispiriting about watching Merton do monologues about his school days, and Simpson and Vranch perform sketches honed in the music halls.

What saves it, and makes for a mildly amusing evening, is Merton's aggrieved innocence, put over with a professional precision and clarity. Many of the one liners have his special mark on them – "I disturbed a burglar last night. I told him there was no God" – and when he does occasionally let rip on the ad libs his famed stream-of-consciousness ravings show signs of genius.

Paul Merton seems to be distancing himself from his television past – his sparring partner on *Have I Got News for You*, Angus Deayton, bears the brunt of a running joke (he is portrayed as a suspended suit), and Merton even has a go at improvisation: "if you can't be bothered to learn the words why do it at all."

But this very English, very traditional, evening hardly stretches his talent.

INTERNATIONAL

ARTS GUIDE

■ BORDEAUX

Palais des Sports Tonight, tomorrow: Muhai Tang conducts Orchestre National Bordeaux Aquitaine in works by Mendelssohn and Shostakovich, with violin soloist Midori. Sun (at Grand-Théâtre): Alain Lombard conducts an all-Haydn programme, with trumpet soloist Sergei Nakariakov (5648 5854)

■ COLOGNE

Philharmonie Tonight: Alfred Brendel plays Beethoven piano sonatas. Tomorrow: Dmitri Hvorostovsky, James Galway, the Labeque Sisters and others take part in opening of 1994 KlassikKomm. Fri: Vladimir Ashkenazy conducts Berlin Radio Symphony Orchestra in works by Ibert, Roussel and Dvorak. Sat: Helmuth Rilling conducts Bach's Matthew Passion. Sun morning: Frank Martin's oratorio Golgotha. Sun afternoon: Martin Haselböck directs Wiener Akademie in a Haydn programme. Sun evening: Gidon Kremer and friends (0221-2801)
Opernhaus Tonight: Helen Donath song recital. Fri: Harry Kupfer's production of Shostakovich's The Nose. Sat: Jochen Ulrich's choreography of Peer Gynt. Sun: James Conlon conducts first night of Anthony Pilavachi's new production of Peter Grimes, with cast headed by Ben Heppner, Carolyn James and Victor Braun (repeated April 1, 4, 7, 10, 13, 16, 19). Tues: Rigoletto (0221-221 8400)

■ COPENHAGEN

Royal Theatre Tonight: Cosi fan tutte. Tomorrow, Mon: new ballets by Anna Laerkesen and Laura Dean. Fri, Sun afternoon: Carmen. Sat: Helgi Tomasson's new production of Sleeping Beauty. Tues: Paavo Berglund conducts Dieter Kaegi's new production of Fidelio. Next Wed: Boje Skovhus song recital (tel 3314 1002 fax 3312 3692)

■ DRESDEN

Semperoper Tonight, Sat: The Bartered Bride. Tomorrow: La traviata. Fri: Prokofiev's ballet Romeo and Juliet. Sun, Mon: Giuseppe Sinopoli conducts Dresden Staatskapelle in Schumann's oratorio Das Paradis und die Peri (0351-484 2323)
Kulturpalast Sat, Sun: Jörg-Peter Weigle conducts Dresden Philharmonic Orchestra and Chorus in Bach's St John Passion (0351-486 6666)

■ FRANKFURT

Alte Oper Tonight: Lorin Maazel conducts Bavarian Radio Symphony Orchestra in an all-Richard Strauss programme. Tomorrow, Fri: Pinchas Zukerman conducts Frankfurt Radio Symphony Orchestra in Bach and Bruckner. Sat: US Army Band and German-American Chorus in an evening of American popular music. Sun: Alfred Brendel plays Beethoven piano sonatas. March 30-April 4: Budapest State Opera in Der Zigeunerbaron (069-134 0400)
Jahrhunderthalle Hoechst Fri, Sat: Ballet of Geneva's Grand Théâtre in choreographies by Ohad Naharin (069-360 1240)
Oper Fri, Sun: Sylvain Cambreling conducts Herbert Wernicke's new production of Duke Bluebeard's Castle, with Henk Smit and Katherine Ciesinski (069-236061)
English Theater Kaiserstrasse A new production of Arthur Miller's 1991 play The Ride Down Mount Morgan opens on Fri, with previews tonight and tomorrow (069-2423 1620)

■ GOTHENBURG

Konserthuset Yevgeny Svetlanov conducts the next two weeks of concerts by the Gothenburg Symphony Orchestra. Tomorrow and Fri: Mahler's Sixth Symphony. Next Wed: Mozart and Rimsky-Korsakov. Barbara Hendricks gives a song recital on Tues (031-167000)

■ HAMBURG

Musikhalle Tonight: Daniel Nazareth conducts MDR Symphony Orchestra and Chorus in Verdi's Requiem. Tomorrow: Andras Schiff piano recital. Sat evening, Sun morning: North German Radio Symphony Orchestra plays Wagner. Mon: Lynn Harrell cello recital (040-354414)
Staatsoper Repertory over the next two weeks includes a Ring cycle conducted by Gerd Albrecht, La traviata with Tiziana Fabbricini as Violetta, Der Wildschütz and Fidelio (040-351721)

■ HELSINKI

Finnish National Opera Tonight, tomorrow: new Stravinsky ballet programme, including world premiere of Jorma Uotinen's Petrushka. Fri: Otello. Sat: Nicolai's Die lustigen Weiber von Windsor. April 10, 12, 13: guest performances by Deutsche Oper Berlin (0-4030 2211)

■ LYON

Opéra Tonight, Fri, Sat (also April 7-10): American Ballet Evening, choreographies by Bill T. Jones, Stephen Petronio and Susan Marshall. Tomorrow: Kent Nagano conducts symphonic and vocal works by Canteloube, Debussy and Ravel, with soprano soloist Dawn Upshaw. March 30-April 3: Pina Bausch Tanztheater Wuppertal (tel 7200 4545 fax 7200 4546)
Auditorium Tomorrow, Fri: Gennadi Rozhdestvensky conducts Orchestre National de Lyon in works by Saint-Saens and Mendelssohn, with piano soloist Viktoria Postnikova. April 5: Martha Argerich (7860 3713)

■ MONTE CARLO

Salle Garnier Tonight, Fri, Sun afternoon: Evelino Pido conducts Jonathan Miller's new production of Anna Bolena, with Giusy Devinu, Denyce Graves and Roberto Scandiuzzi (9216 2299)

■ MUNICH

Staatsoper Tonight, Sun, next Wed and Sat: Lady Macbeth of Mtsensk with Marilyn Schmiege and Jan Blinkhof. Tomorrow: Ivor Bolton conducts Richard Jones' new production of Giulio Cesare, with Ann Murray, Kathleen Kuhlmann, Trudeliese Schmidt, Pamela Coburn and Christopher Robson. Fri, Mon: Meistersinger with Bernd Weikl, Francisco Araiza and Karita Mattila. Sat, next Tues: choreographies by Uwe Scholz, Hans van Manen and Jiri Kylian (089-221316)
Gasteig Tomorrow, Fri, Sun morning, Mon: Christoph von Dohnanyi conducts Munich Philharmonic Orchestra in works by K.A. Hartmann, Berg and Dvorak, with violin soloist Frank Peter Zimmermann (089-4809 8614)

■ OSLO

Konserthus Tomorrow, Fri: Klaus Weise conducts Oslo Philharmonic Orchestra and Chorus in Berlioz's Requiem (2283 3200)
Folketeatret Fri: first night of new production of Die Walküre, second instalment of Norwegian National Opera's Ring cycle conducted by Heinz Fricke. The cast includes Carol Yahr, Marianne Häggander and Oddbjorn Tennfjord. Repeated April 6, 9, 13, May 14 and 19, with Das Rheingold on May 5 and 7 (tel 2242 7724 fax 2242 7877)

■ STOCKHOLM

Royal Opera Tonight: Suppé's operetta Boccaccio. Tomorrow, Fri, Sat afternoon, next Tues and Thurs: Natalia Makarova's production of La Bayadère. Next Mon and Wed: La boheme (tickets 08-248240 information 08-203515)
Konserthuset Tonight, tomorrow: Iona Brown directs Academy of St Martin in the Fields (tickets 08-102110 information 08-212520)
Berwaldhallen Sat afternoon: Emmanuel Krivine conducts Swedish Radio Symphony Orchestra in works by Debussy, Bernstein and Dvorak (08-784 1800)

■ STRASBOURG

Palais de la Musique Tonight, Sun afternoon: Friedrich Haider conducts concert performances of Roberto Devereux, with cast headed by Edita Gruberova. Fri: Wolfgang Sawallisch conducts Vienna Symphony Orchestra in symphonies by Haydn, Beethoven and Schumann (8875 4823)

■ STUTTGART

Staatstheater Tonight: Achim Freyer's production of Der Freischütz. Tomorrow, next Tues: Der Rosenkavalier with Ellen Shade and Helmut Berger-Tuna. Fri: Marcia Haydée's version of Glazunov's ballet Raymonda. Sat: Johannes Schaaf's production of Rigoletto, with Wolfgang Schöne in title role. Sun morning, Mon evening in Liederhalle: Michael Gielen conducts Bruckner's Eighth Symphony (0711-221795)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV

(Central European Time)

MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
NBC/Super Channel: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Edward Mortimer

Thirsty for a potion

The Hungarian parliament yesterday voted to apply for EU entry

Wave after wave of applicant countries comes crashing on to the shores of the European Union. The European Free Trade Association (Efta) wave has just broken, but behind it the central European wave already looms high and menacing.

Mr Peter Boross, the Hungarian prime minister, faces a general election on May 8. No one in Budapest doubts that his desire to file an EU membership application in April is closely related to this fact.

Mr Boross's conservative nationalist party, the Hungarian Democratic Forum (MDF), which has governed Hungary for the last four years, is struggling to climb back from fourth place in recent opinion polls, which give the socialist (formerly communist) party a commanding lead.

Economically, Hungary's recovery from post-communist depression has begun: industrial production grew by four per cent in 1993, after falling steeply in each of the three previous years. But GDP still registered a slight drop, thanks to a collapse in agricultural output; and there is a long way to go to get back to 1989 levels.

Most Hungarians compare their present circumstances unfavourably with those they enjoyed under "goulash communism" in the 1980s, even though few imagine that it is possible to go back to that phase, during which a totalitarian system was being gradually and hesitantly relaxed. The socialists themselves accept that the transition to market-driven capitalism is now irreversible. But they offer to manage the transition better and to protect the weak against its worst effects. Such promises may be worthless, but many voters want to believe them, or at least to see what a change of government will bring. Mr Boross's only hope of winning back his party's supporters lies in convincing them that the long-term strategy of his predecessor Jozsef Antall (who died in December) is still on track. That strategy aimed to make Hungary a fully western country, a member of the EU and Nato, by the end of the century.

On Nato, the government is making the best of the half-success achieved at the summit in January, when Nato promised to admit new members in the future but avoided saying who or when. On the EU the position is slightly clearer, since last June's Copenhagen summit explicitly offered the prospect of full membership to those central and east European countries that have association agreements.

Since February, Hungary has such an agreement fully in force. Filing a membership application now will probably not affect the final outcome, or the timetable of negotiations, which will be determined by arguments among the EU's existing members; but symbolically it will be an important milestone on the road.

> **Federal or confederal, deep or shallow . . . Hungary must be in the EU**

Opposition parties are irritated by the government's willingness to exploit this symbolism for electoral purposes, but none of them would dream of opposing the strategy. There is an all-party consensus on EU membership, but few Hungarians of any party seem to have thought out the full implications, or to have followed the arguments within the EU about the direction it should take. Federal or confederal, deep or shallow: it makes no difference. Hungary must be in.

An economic rationale for this attitude can be given: as a small country on the edge of a large economic bloc, Hungary needs to be inside rather than outside. But it is clear that that is not the main reason. What Hungarians want above all security.

Security from what? Russia? From their more immediate neighbours? From themselves? Put any of these threats to them in specific terms and they will tend to play it down. The Russian threat is in the background, but for Hungary, much more than for Poland, it is now reasonably remote. The suggestion that Hungary could be drawn into Balkan conflicts, by concern for the Hungarian minorities in Serbia and Romania, is indignantly rejected; as is any questioning of the stability or permanence of Hungary's internal democracy.

All these are spectres which haunt the Hungarian soul in the dark hours of night, even though in daylight they may seem far-fetched (and anyway they should be kept out of sight for fear of scaring off investors). Or rather they are different shapes assumed by a single, more permanent spectre that lurks just below the surface of Hungary's collective psyche – a spectre called "the tragic past"; a history of war, defeat and conquest punctuated by brief moments of glory.

That of course is something Hungary has in common with the rest of central Europe, indeed with Europe as a whole. But it is something western Europe is seen as having escaped from since 1945 – give or take a few nasty local exceptions like Northern Ireland.

If Western Europe has escaped, central Europeans tend to assume that it must have done so by taking magic potions. A range of bottles is on show in the west European pharmacist's window, and central Europe is determined to try them all. Some, labelled Conference on Security and Co-operation in Europe (CSCE), Council of Europe, North Atlantic Co-operation Council (NACC), it has already swallowed. They taste disappointingly bland, and the latest to be pushed across the counter at Nato's January summit, labelled "Partnership for Peace", smells similar.

But there are two bottles in the back of the shop, with very high price tags, which the chemist seems curiously reluctant to dispense. One is Nato, and the other has just been re-labelled "EU". They, surely, contain the real stuff. At any rate, central Europeans will not be content until they have tried them out.

General Electric's fast-growing financial services offshoot is looking to Europe, says **Richard Waters**

Global expansion to cap it all

A French vehicle fleet management company, an Austrian consumer finance business, a Swedish computer leasing concern: piece by piece, GE Capital is stitching together one of Europe's broadest financial groups.

All three acquisitions have been announced by the financial services subsidiary of General Electric, the US industrial giant, since last summer. GE Capital has also helped bail out GPA, the Irish aircraft leasing group, taken a stake in a Monaco-based ship management business, and acquired interests in other European financial sector concerns.

Its involvement in businesses such as car sales financing, leasing lorry trailers and servicing other companies' mortgage portfolios has not made headline news. It tends to buy small, picking up $200m of assets here, $300m there. But if its record in the US is anything to go by, GE Capital's competitors in the European financial services industry have plenty to worry about.

Last week's $2.2bn bid in the US for Kemper, a financial services group based in Chicago, threw a rare spotlight on the company's ambitions. If it succeeds in forcing Kemper to accept its unwanted advances, GE Capital will emerge as one of the biggest fund management groups in the US.

GE Capital's track record in recent years is envied by rivals. While other industrial companies that ventured into financial services in the 1980s got their fingers burnt, GE has thrived. The assets in its main financing operations have doubled in the past four years, reaching $118bn at the end of last year. That does not include the assets of a specialist insurance operation and Kidder Peabody, the investment bank it owns.

GE Capital is one of the most consistently profitable companies in the US financial sector. While the country's commercial banks were going through problems with real estate and leveraged buy-outs in 1990 and 1991, GE Capital barely flinched. The company was not totally immune from such difficulties but a policy of not lending for new construction – which proved the riskiest form of real estate lending – kept it away from the worst effects of the late-1980s building boom.

Its robust balance sheet also enabled it to shrug off the problems from leveraged lending. From 18 per cent in 1988, its post-tax return on capital edged down to 17 per cent in 1990, but has since climbed back steadily. Last year, it was 18.5 per cent.

The result: while other financial businesses in the US shed assets, GE Capital has been buying. It has spent $2bn or more a year on acquisitions in each of the past three years, preferring to pick up businesses being discarded by others. Last year's haul included the assets of the credit card business of oil company Exxon, and the railcar leasing business of Chrysler.

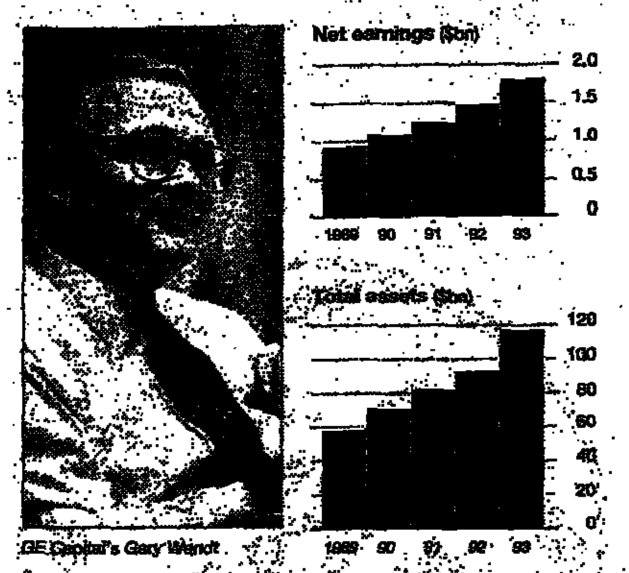
Real estate has become a particular focus of its acquisition policy. Apparently believing that it is buying at the bottom of the market, GE Capital has added to its mountain of property assets in recent months, taking advantage of the fact that banks and insurance companies are still cutting their involvement in the sector.

In the past year GE Capital has bought $1bn of property from First Chicago bank and $1.1bn from the Resolution Trust Corporation, the government agency responsible for selling the assets of failed savings and loans institutions. It also took on $1.1bn of property when it bought two annuity companies last year, GNA and United Pacific Life.

It is still buying property: GE Capital's latest target, Kemper, has $1.7bn of property on its books. Acquiring Kemper would also mark a renewed interest by GE Capital in the investment business. GE Capital's earlier involvement in the sector proved disappointing. Kidder Peabody was a loss-maker in the early-1990s, and was long rumoured to be one company that GE would have been happy to sell. But, helped by the buoyancy of financial markets, it made operating profits of $439m last year.

Last year, GE Capital made its first forays into the retirement savings market, with the acquisition of an annuity business. It has also bought a small mutual funds business, with $7bn of assets. The acquisition of Kemper would build on this. Its $44bn of fund assets would put GE among the 10 biggest mutual fund businesses in the US. If Kemper's life insurance business, and GE's other fund management activities were added in, GE would control $150bn of investments.

GE Capital: electric performance



GE Capital's Gary Wendt

Operating profit (loss) $m	1989	1990	1991	1992	1993
Financing	1152	1267	1327	1366	1727
Specialty insurance	361	457	501	641	770
Securities broker-dealers	(53)	(54)	119	300	439
All other	(322)	(275)	(290)	(272)	(288)
Total	1138	1395	1657	2035	2648

Source: GE Annual Report, 1993

In Europe, GE Capital is at a much earlier stage of development. It made some sizeable acquisitions in the 1990s, including the credit card businesses of UK retailers Burton and House of Fraser and the vehicle fleet services business of Avis Europe. But the spate of smaller purchases in recent months indicates its intention to build on these interests.

With the European financial sector under recessionary pressures, the US giant has been prowling for acquisitions: it is no coincidence that three of its recent buys, announced last month, were the vehicle finance, computer leasing and office equipment leasing companies of Skandinaviska Enskilda Banken, the troubled Scandinavian bank.

Europe is not the only focus of its interest, however: investments since last summer include an automobile financing company in Thailand and a vehicle fleet company in Canada.

In its adventures outside the US, GE Capital has three factors in its favour:

First, it has access to a cheap supply of the basic raw material that drives its business – cash. With a triple-A credit rating, GE Capital ranks among the best-regarded borrowers in the capital markets (unlike banks, it does not collect deposits to lend on to borrowers). The interest rate it paid on its outstanding short-term debt at the end of last year was 3.39 per cent, down from 3.57 per cent a year before. With short-term borrowings of $46bn, every hundredth of a percentage point counts.

Ironically, the more successful GE Capital becomes, the more its triple-A rating could be at risk. The financial company relies on the backing of its parent for its top rating. As GE Capital's profits become more important to GE – last year they amounted to 40 per cent of the total – so the parent's own rating becomes less robust.

"At what point does the tail start wagging the dog?" asks Mr Ray Miller of Standard & Poor's, the rating agency. "That's something we're wrestling with now."

When it comes to buying financial assets, GE Capital's robust balance sheet makes it one of the first on most sellers' lists. It could turn out to be the only serious bidder for Kemper: while commercial banks have their sights set on the mutual fund industry, few are likely to have the stomach for Kemper's $1.5bn of under-performing real estate assets.

A second advantage, often commented upon, is the fact that GE Capital is not a bank, and so does not suffer from the dead hand of banking regulation in the US. In reality, this is much exaggerated. Banks also carry out their credit card, leasing and consumer financing activities through non-bank subsidiaries.

More significant is a third advantage: a management team with an unparalleled reputation and record in its industry. Under Mr Gary Wendt, its head for the past eight years, GE Capital has won a name for driving hard bargains as a purchaser and for a fanatical attention to costs. Mr Wendt is regarded in the industry as a close ally of Mr Jack Welch, chairman of General Electric.

The financial services company shares the low-cost culture of the industrial group of which it is a part. Its use of technology to reduce processing costs and generate management information is also far in advance of the banking industry, bemoans an executive in one of the biggest US banks.

"They think differently from us. They approach things differently," the executive says. It is a difference that European banks may be about to discover.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Treasury: masterminding the UK's decline

From Mr Ian Phillips.

Sir, So we are told that an influential committee of MPs is recommending that the Post Office should be free to raise money outside the public sector borrowing requirement to help it compete ("MPs urge more access to funds for Post Office", March 18). At the same time the Cabinet is reportedly deadlocked on a leasing deal that would provide London Transport's Northern Line with badly needed new rolling stock, with the chief secretary insisting that it would be a flagrant breach of public borrowing rules. We hear also the armed services are considering leasing vehicles in order to save money, although doubtless the rules will be broken.

I thought the Ryrie rules were dead, and that the prime minister, when in a previous post, claimed to have done away with many of the restrictions that blur public/private sector investment decision-making to the country's disadvantage.

Or do we have to wait for Sir Alastair Morton's committee to come up with miracles?

No, the truth of the matter is that even if they do produce some good ideas Treasury orthodoxy will see them off. Even were there are good infrastructure projects that earn a decent rate of return they fail to go forward because of the dear old public sector borrowing requirement, and our inexorable decline goes on, masterminded by the Treasury. And these are the guys who got us into and out of the exchange rate mechanism, achieving the proud feat of bad timing on both occasions, and who have consistently mismanaged interest rates and exchange rates in both good times and bad.

I would like to support Sir John Banham's reported view that the Treasury should be abolished as part of a drive to re-focus policy making ("Banham calls for Treasury abolition", March 21).

Ian Phillips,
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Language of television

From John Parry

Sir, Christopher Dunkley (Television: March 2) bemoans the fact that his satellite/cable equipped viewers do not have anything to watch. Perhaps this is because the selection offered to them is so feeble.

Here in Geneva we are cabled and I have 34 channels in seven languages. Agreed, much of it is of mind-boggling tedium; I can only take so much of HTV for example.

But if one continues to zap around, one can find some fascinating programmes even if one's command of the language is shaky.

The German channels, denigrated by Mr Dunkley, have excellent documentaries in the evenings. Tiring of the interminable ice hockey on all three Swiss channels the other night, I flipped to a German channel and found a fascinating 45-minute documentary on the fall of East Germany which taught me a lot that I did not know. The same channel a year or so ago had a touching report on the Volga Germans who yearn to go "home" but can't.

Of course, one has to speak more than one language to appreciate all this, and I assume Mr Dunkley is telling us that his monolingual viewers can't handle anything other than English. In that case, they are missing a lot of good TV. But then that's all to do with the British education system, isn't it? And that's another subject.

John Parry
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Sacrificed on the alter of Europhobia

From Mr D A A Fagandini.

Sir, What I have not heard or read about regarding EU enlargement is the unspoken perception in Europe that, if Britain were to succeed in holding the blocking vote at 23, it would later insist that an unalterable precedent had been created when others came to join. Four such applications are in prospect, so Britain would thereby have transformed the EU into a virtual free trade area, an outcome our partners know is the present government's real aim when it speaks of being at the heart of Europe. In that sense, we are a spear that will have to be deflected.

We may just be able to delay matters until 1996, but at vast cost in credibility. Whatever happens, we will eventually be forced to have a referendum to determine our future one way or the other. Until we do so, we will have sacrificed what influence we have at present on the altar of Europhobia and be unable to defend any of our real interests.

D A A Fagandini,
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Unclear trend on shorter working hours

From Mr Dan Corry.

Sir, In the short term it does seem as though the increase in part-time work occurring in the British economy is such that average hours worked per week are falling ("In, out, share the work about", March 15). This fairer distribution of available work is surely to be welcomed whatever other qualms one might have about the economy's inability to produce enough person-hours of work in total.

The question is, however, whether the mere existence of a more flexible labour market will mean that this trend continues as David Goodhart suggests it will. The labour market has become more deregulated since 1979, yet analysis in *New Economy* has shown that over this period average working hours have actually increased – in stark contrast to the trend of the last 100 years or so. Certainly there have been more part-timers over this period but there have also been more self-employed (who tend to work longer) and also the manager and professional class have been working longer, generally unpaid, extra hours.

We do not really understand this latter phenomenon. It may be employers demanding more effort or it may be an increased incentive to get promotion due to the increased monetary rewards and the hedge this gives against the growing insecurity of any job.

Until we understand this, it will be difficult to say whether the new deregulated labour market will of its own accord share out the work better or whether more positive action will be needed.

Dan Corry,
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On time – but only if you move the goal posts

From Mr Andrew W N Banks.

Sir, As William Waldegrave (Personal View, March 17) should know, there are lies, damned lies, statistics and *white lies.*

The passenger's charter of which he is so proud falls into the latter category. InterCity, with which I estimate I have travelled 300,000 miles in the last six years, has achieved its targets only by moving the goal posts. Whereas six years ago the journey time between Newark and London averaged less than 85 minutes, it is now almost 95 minutes on the new "faster" trains. These increases coincided with the imposition of the charter.

Regular commuters now smile when BR tells us we are arriving two minutes early. Six years ago this would have been eight minutes late.

Mr Waldegrave's glass may be half full, but sadly he now drinks from a pitcher instead of a pint glass.

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FINANCIAL TIMES

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Wednesday March 23 1994

More or less safe pensions

The debate over minimum solvency requirements for British pension schemes may appear arcane, but it goes to the heart of the issue addressed by the Goode Committee on pension law reform. How do you protect the promise contained in the typical pension scheme trust deed to pay a given level of pension benefit?

Setting aside money in advance from which to meet pension liabilities – in a word, funding – provides security for present and future pensioners in the event of the employer running into financial difficulty. The problem is to define how much to set aside and, more specifically, to establish a minimum solvency standard to ensure adequate protection. It is now clear that the government is likely to reject the Goode Committee's approach to calculating minimum solvency in favour of a watered down version developed by the actuarial profession.

The case for compromise rests on the difficulties that could be faced by companies and funds that are obliged to establish a new base level of funding under the legislation that will follow Goode's recommendations. In present UK law, there are no solvency requirements; the assets and liabilities of most earnings related pension schemes are valued on an ongoing basis. This requires assumptions to be made about future benefits and about the current value of future income streams. In effect the actuaries ignore stock market values and take a longer term view. This has permitted the average fund to invest up to 80 per cent in equities, despite a presumed higher risk relative to the government's gilt-edged stock. Higher returns have thus been earned than on portfolios more heavily biased towards gilts.

If, on the other hand, a fund is valued on the assumption that it is to be wound up immediately – the so-called discontinuance basis – there is no escape from applying stock market values in working out whether the scheme can meet past service liabilities. These are valued on the basis of calculating what it would cost to buy a deferred annuity from an insurance company.

Until recently a valuation on an ongoing basis would usually produce a bigger surplus than on a discontinuance basis. But benefit improvements have eroded the margin. Meantime the gap between the returns expected on an equity portfolio compared with the gilt returns which dictate insurers' annuity rates has widened. So many schemes that are well funded on an ongoing basis may be under-funded on the discontinuance basis.

The actuaries' proposed compromise involves valuing liabilities on a mixture of the two bases. Equity-type returns will be assumed in valuing the rights of younger members of a pension fund, while a shift will be made to a gilts-based valuation for older members and current pensioners. But this could lead to members receiving less than the accrued benefits promised to them on winding up. This is better than no solvency standard. But it looks a less than satisfactory outcome. Yet, as in the discussion over the ownership of pension fund surpluses, the bargaining chips are all in the hands of the employers. If the minimum solvency standard looks onerous, they will abandon defined benefit schemes and opt for defined contributions.

That implies greater uncertainty about the value of pension benefits. And since funds would be obliged to adopt lower risk investment strategies, investment returns would be less in the aggregate. But there would be no contribution holidays and far more transparency. As always in pensions, it boils down to a search for the least bad alternative.

Ukraine votes

"*Ukraine has not yet died*," is the apt title of the Ukrainian national anthem. As Ukrainian voters prepare for parliamentary elections on Sunday, their nation's existence is as imperilled as ever. The elections give Ukrainians a chance, perhaps the last, to set their political house in order.

Optimists dream that Sunday's elections could oust Kiev's ex-communist leadership and bring in a new guard better equipped to introduce market reforms. The new people who might be able to lead Ukraine to the market at last could be businessmen and factory directors from Russian-oriented eastern Ukraine, or they might be reformist nationalist politicians from the western and central regions of the country.

Unfortunately, these dreams are likely to remain just that. Since reform candidates have been unable to form a single bloc, the reform vote is likely to split, giving the victory to ex-communists. An even greater danger is that the Sunday elections will further confuse Ukraine's already muddled political scene.

On average, eight candidates are running in each constituency, while Ukrainian law requires 50 per cent voter turn-out to elect a member of parliament. An extreme possibility is that these stringent requirements will make it impossible for voters to elect a viable parliament. Mr Kravchuk has hinted that he would then introduce direct presidential rule, a dream for him, but a nightmare for Ukrainians who live with the hyperinflation he has created. More likely, the elections will produce an amorphous new parliament, although many constituencies will first require run-off elections between the two leading candidates. The legislature might be more paralysed than its predecessor, which at least has a working national-communist majority.

In any case, the new legislature will face the same political obstacle to radical reform as the present one. Politicians fear that such reforms would initially cause the worst pain in the Russified Donbass region. Thus the right economic medicine would endanger Ukraine's fragile statehood.

All of this is bad news for the west, which is coming to view Ukraine as a bulwark against Moscow's expansionism, particularly now that Russia is taking a harder line toward the "near abroad". Ukraine needs political and economic support if Russia is to be discouraged from provoking a potentially devastating conflict with its important neighbour. Unfortunately, the Ukrainian government is unable to use economic help constructively. Worse, the elections are unlikely to change this unhappy situation.

Euro-fraud

To the untutored eye, the effort to combat fraud against the European Union budget can seem an elaborate and unproductive ritual. Every year, the EU Court of Auditors chronicles waste and chicanery in the spending of official funds and urges the European Commission to sharpen its controls. Every year, the Commission promises to crack down and recoup missing money. Meanwhile, large-scale abuse of the budget – especially of farm subsidies – continues unabated.

This view may be a caricature, but it is sufficiently well established in the minds of European citizens to have become a blot on the EU's credibility. As pressure on the budget grows and the dismantling of borders within the Union provides increased opportunities for fraud, the problem can only intensify. More clearly needs to be done to tighten monitoring of the effectiveness with which taxpayers' money is spent.

Fortunately, there are signs that the Commission and at least some member states are showing greater attentiveness to the issue. This week, Mr Peter Schmidhuber, EU budget commissioner, will unveil plans to step up the fight against fraud, with additional Commission staff devoted to the task, improved procedures for co-operation with national judicial and police authorities, and more extensive sanctions against wrongdoers. Separately, the British government will today put forward its own ideas, including a proposal that fraud against the EU budget be made a criminal offence across the Union, as is fraud against national budgets.

These are steps in the right direction, but they do not demonstrate that the Union is treating the issue with quite the seriousness it deserves. It is far from sure that the Council of Ministers will unanimously back the British initiative. Nor can member governments be counted on to give the Commission the assistance it needs, especially when it comes to extending scrutiny from the agricultural budget to structural funds, often, perhaps unfairly, criticised for fostering corruption in the Union's poorer regions.

Moreover, the suspicion persists that the Commission is running behind the issue rather than giving a lead. This week it has come in for withering criticism from the EU auditors for restricting their inquiries and behaving as if particular problems were isolated "accidents". It should be clear by now that various EU programmes offer opportunities for *systematic* fraud. The Commission can set an example in combating it by showing more systematic transparency to those with the job of monitoring its activities.

Elections may not bridge that gap

Robert Graham examines the divide between Italy's industrialised north and a south dependent on state aid

The saga of the Gioia Tauro steelworks in southern Italy is a sorry tale about broken promises, ill-conceived ideas, wasted money and cynical politicians.

It epitomises the failure of state-sponsored development to bridge the divide between a rich, industrious north and central Italy and the world that exists south of Rome.

Gioia Tauro is also a timely reminder, as Italy goes to the polls on Sunday, that the political and economic problems of the south are likely to become more complex after the elections. Here the old political order has not been swept away, unemployment is three times greater than in the north and large areas are in the grip of organised crime – not least at Gioia Tauro, where the Calabrian mafia, the *'ndrangheta*, moved in on the back of public works contracts for a steel complex.

Twenty-five years ago Gioia Tauro was the most fertile coastal plain in the region, rich with citrus and graced by ancient olive trees. Against technical advice it was selected over 11 other potential sites as the location for Italy's fifth integrated steel works.

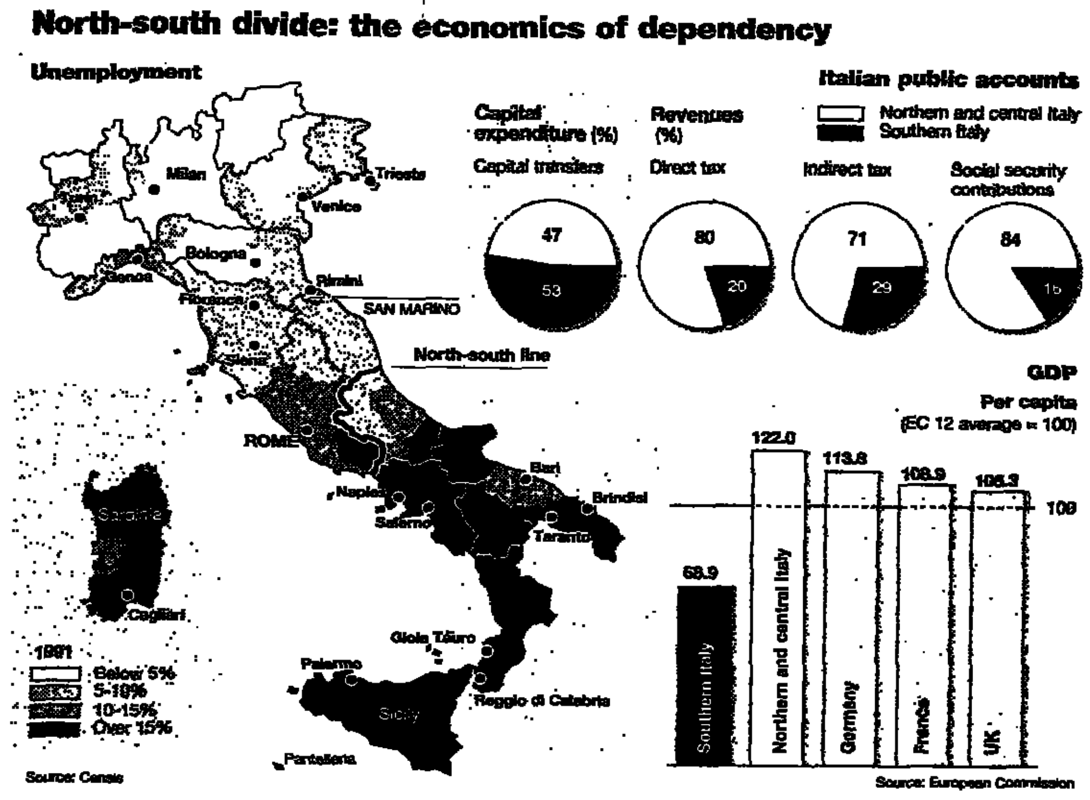
Gioia Tauro lacked a port, good roads, easy access to rail links, had no tradition of industry and was in a zone with a high risk of earthquakes. These drawbacks were, however, outweighed by the needs of the ruling Christian Democrat and Socialist party bosses. The steel project was presented as the key to industrialising Calabria, the most backward southern region.

The steelworks was never built. The 1973 oil shock cut world demand for steel and the project became redundant. But it was only aborted after the infrastructure had been laid. The plant was conceived on the grandest scale imaginable to inflate the contracting business. The centrepiece was the largest artificial port in the Mediterranean with 5km of wharves.

The port is still unused 15 years after completion. With luck it might become a container terminal. Elsewhere on the site, fly-overs vanish into weeds.

The nearby industrial zone is vacant save for one state-owned factory. Three hundred jobs were promised in a venture by the arms manufacturer, Oto-Breda, to produce a new Nato missile. By the time the plant was finished in the early 1980s, the missile had been superceded. Oto-Breda's owner, the state industrial holding, Efim, was placed in liquidation in 1992 and the plant is up for sale.

For the past 12 years, successive governments have backed plans to make good some of this waste by allowing Enel, the state electricity authority, to build a power station.



This was blocked by environmental objections. When this hurdle was overcome, the state had to contend with the Calabrian mafia.

In 1990 magistrates froze all construction contracts on suspicion that the construction companies were *'nadrangheta* fronts in an area where some 60 *'ndrangheta* families operate. The magistrates' investigations led in January to 39 arrest warrants on corruption charges related to the contract, including the Enel chairman.

Violent protests, meanwhile, by the jobless in Gioia Tauro forced the Ciampi government last autumn to sanction a new start on the power station. This was seen locally as a move to buy stability in the run-up to the elections. Today, few believe the project will be completed because of environmental protests, plans for Enel's privatisation, and the difficulty of ensuring against mafia involvement.

What has happened at Gioia Tauro is a microcosm of what has been repeated in different degrees across the south. With a third of Italy's population, it was treated as a vital reservoir of votes by the Christian Democrats during the postwar era to hold the Communist party at bay. It suited politicians to create a culture of dependence – or *assistenzialismo*.

Transfers to the south from the central government have on average accounted for about 60 per cent of gross domestic product since the 1950s. Income support, direct and indirect from the state, makes up 49 per cent of the south's GDP. According to Bank of Italy data, four-fifths of Italy's total public deficit is attributable to the south – the centre and north shows a surplus. The south absorbs 53 per cent of all public spending.

Initially, the south accepted this as needed assistance, but it became an institutional habit of dependence. If the state (controlled by the local political parties) did not provide jobs in the south, then it offered unemployment subsidies or fake disability pensions or easy early retirement deals. The state also agreed with the unions to maintain a national minimum wage, even though productivity was often 20 per cent lower in the south.

Where this safety net failed, the illicit economy controlled by organised crime helped out with income from contraband cigarettes, drugs, extortion, racketeering, usury. Until Rome politics was shaken two years ago by corruption scandals it suited the ruling parties to be tolerant of organised crime: in Sicily, Calabria and the Naples area the mafia delivered votes.

The business success stories in southern Italy have been in areas close to Rome or where the grip of organised crime is slight, as in Puglia. It is no accident that Fiat opted to site its flagship car plant near rural Melfi in Basilicata, central southern Italy: the area is free of mafia links. Fiat has also been able to break away from the traditional labour market rigidities and introduce new working practices. No state industry would dare contemplate this, and smaller private investors lack the muscle to force such deals through.

But the Melfi project, producing the Punto model launched last year, would also have been impossible without the commitment of L1,400bn in state aid. This is probably the last such act of state generosity to a private group. Not only is Brussels on the war-path against subsidies, unions in the north do not see why new jobs should be funded in the south when they need to protect existing ones in Turin.

The more general debate on bankrolling the south has become central to the political platform of the populist Northern League. The league's appeal has evolved in good measure from the way its leader, Mr Umberto Bossi, has articulated the frustrations of hard-working northerners, who pay taxes to a government in Rome that squanders the money on ill-monitored transfers to the south.

Despite these genuine objections, it is hard to see agreement on introducing a fresh approach to the problems of the south. The league wants to cut *assistenzialismo* but has no base in the south. Its allies in this election campaign are media magnate Silvio Berlusconi's Forza Italia movement and the neo-fascist MSI; and Mr Berlusconi is relying on the MSI structure to deliver the votes. Both are promising more jobs and more public works projects in the south.

The left's Progressive Alliance is also committed to the principle of national solidarity, with the better-off regions helping the poorer, and would not stop the flow of money to the south. As for the discredited ruling parties in the centre, which have either recycled their candidates or picked from similar figures whose careers have been based on patronage, they have no interest in turning off the tap.

None of the parties looks as if it has the will and ability to combine spending cuts with creating the conditions necessary to introduce the market economy that operates in the rest of Italy. Budget constraints will play a considerable part in weaning the south off state hand-outs. But this will merely increase the income gap between the north and the south and push the 'Mezzogiorno' back to the peripheral role it played when the first republic began after the war.

Rail privatisation's difficult journey

PERSONAL VIEW

On April 1, British Rail is to be split asunder. A radical re-structuring of passenger and freight services, track and rolling stock provision and a variety of other services and maintenance activities will form the prelude to the government's ultimate goal of privatisation. Will it work, or will it turn out to be an April Fool?

At first sight the changes next month are a cleverly contrived continuation of the fundamental organisational changes introduced in April 1982 and April 1992. The 27 profit centres set up two years ago will become the basis of 30 (25 passenger train operating units and five freight) separate businesses for franchising. There will be more private sector involvement in management and private risk capital will be introduced. Additionally, the "internal market", whereby the profit centres sell services to each other, will be extended.

The 1992 changes gave the managing director of each passenger railway business – InterCity, Network SouthEast and Regional Railways – direct control of their own infrastructure and supply of train services. A separate Central Services organisation was also established, selling services to the individual railway businesses in an internal market. Benefits have begun to show; for example, staff numbers on the Gatwick Express have fallen by 25 per cent since April 1992, assets are being used more intensively and marketing initiatives introduced.

But there are problems with the new proposals. The first is psychological. The business managing directors, before they took direct control in 1992, could not influence the production of railway services sufficiently to achieve what their marketing studies showed passengers wanted. The present changes are being imposed against strong opposition from experienced railway managers. Moreover, the reorganisation is too soon after that of April 1992, which involved a huge effort.

Another problem is operational. Great concern has been expressed about the split in ownership and control between Railtrack (which assumes responsibility for stations, track, signalling, timetabling, operating control and safety) as an intermediate supplier and the train operating units as train service producers. A railway is above all a systems business, in which all the principal activities are interlocked.

Moreover, passengers are part of the production process. Unlike Marks and Spencer, or even a "just in time" supply of components for manufacture, any accident, mismatch or misunderstanding between the suppliers and producers will immediately affect them.

The greatest problem is economic . . . the InterCity profit will be turned into a loss

The greatest problem is economic. The £100m or so InterCity annual profit will be turned into a loss because of infrastructure and rolling stock leasing charges, and subsidy will be required. Even the £10m profit for the coveted Gatwick Express will be extinguished.

These seemingly high costs arise because the infrastructure capital value was put at £6.5bn and the Treasury imposed a 5.6 per cent required rate of return, increasing to 8 per cent. Additionally, bureaucracy and transaction costs of the new system will be high, and safety controls will be more expensive and complex than the present "safety validation" procedures.

Moreover, railway revenues tend to track fluctuations in gross domestic product. In a downturn, unless train services can be cut (and remember Railtrack decides the timetable) and rolling stock handed back, franchisee profits may disappear. Private sector franchisees will only be interested if they can see where the profits will come from. Costs in the train operating units are already being cut. More cost savings and revenue improvements are in the pipeline. So what leverage will be left for the private sector with franchisees controlling only some 20 to 25 per cent of total cost due to infrastructure and leasing charges? Subsidies may be granted, but they are politically vulnerable (and the government's contribution is planned to be cut by two-thirds by 1996-97 anyway).

The benefits are that the train operating units will be much smaller businesses than the present ones, with greater freedom for innovation. Staff can be more closely involved and costs will be more exposed. Even so, the scope for substantial profit improvement by private franchisees is narrowing.

Perhaps the most likely outcome is that BR will continue to be the predominant owners, with their staff as management franchisees at the heart of the railway system and the private sector round the periphery. In these circumstances the Railtrack monopoly will be forced to bow to their demands.

John Heath

The author was professor of economics, London Business School 1970-86 and a consultant to British Rail 1978-93.

OBSERVER

Compounding the gloom

■ He couldn't even muster an *auf Wiedersehen*. Wolfgang Hilger, dour chairman of the Hoechst chemicals group, yesterday growled his way through his last annual press conference in traditionally lugubrious style, only to break with custom at the close.

While retiring German bosses are supposed to lighten up, bury the hatchet with the hacks, and even crack the odd joke about having had tough but fair treatment, Hilger was not in the mood.

Since early last year, when his lofty, technocratic response to his company's plants' alarming tendency to leak, burn and even explode earned Hilger a roasting, the chemistry between him and the media has been severely awry.

A formal farewell from the floor, typically offered up on these occasions by a venerable journalist whose career has run in – distant – parallel with the retiring boss, also failed to materialise.

If Hilger noticed that the pack restricted itself to a single question about yet another explosion, last Friday, which wrecked a refrigerant plant, and once again obliged the police to tour the streets warning local residents to close their windows and stay indoors, he did not show it.

Anyone interested could pick up a press release on the way out, but otherwise he had nothing to add, he said.

Change first

■ Did NatWest know what it was letting itself in for when it decided to snap up New Jersey retail bank Citizens First? It's a pity nobody thought of asking Andy Nemes, in the UK clearer's international trade and banking services division, for a worm's eye view of the proposed acquisition.

When NatWest recalled Nemes to London after 2¼ years in the US, his wife Janet closed her Citizens First account. Could she have the money in sterling, she inquired? Sure thing; she was promptly directed to the bullion counter.

Crying wolf

■ Consternation and concern in the department of transport when Bob Cryer, Labour MP for Bradford south, called for a special debate in the Commons on Menwyth hill station.

Obsessed as they are with rail privatisation, the civil servants went into overdrive. The minister concerned, Roger Freeman, was asked by officials to clear his diary to ensure that he was free to answer the debate, due to be heard this coming Friday.

Whereupon it was discovered that the "station", near Harrogate,

'I thought *you* were the one with consumer confidence'

is a security listening post operated by the ministry of defence, in co-operation with American spooks. Freeman has thanked Cryer for providing him with an unscheduled day off.

Merry old soul

■ King Coal has been a long time dying; but now he really has passed away it seems. A provisional death certificate appears on Thursday, in the form of a book of photographs published by the Royal Commission on the Historical Monuments of England.

The project began before British Coal's announcement in October 1992 that 31 of its remaining 50 active mines were to be closed; now just 17 remain. The Commission's photographers, backed by archaeologists and industrial surveyors, toured every English coalfield, recording all aspects of the industry.

Images of Industry: Coal, will be launched at the Yorkshire Mining Museum in Wakefield. "The complete set of images, backed by research notes, will become part of the National Monuments Record, where they can be consulted by the public." RIP.

Tiger's tail?

■ Has the City, in succumbing to the lure of Oriental expertise in the boardroom, been stealing a march on British industry? Or is it unduly beguiled by eastern promise?

London's oldest merchant bank, Barings, has been endeavouring to brush up its global street cred and, in addition to Crédit Lyonnais boss Jean Peyrelevade, has now opened its hallowed portals to Yoshihiko Miyauchi, president of Japan's largest leasing company Orix, in a non-executive capacity.

Last year Foreign & Colonial put a former ambassador to Britain on the board of one of its Pacific trusts and Barclays has a Japanese banker. Outside the Square Mile there has been little such activity.

Deputy chairman Andrew Tuckey says he ran into Miyauchi on his first visit to Japan 25 years ago when he was personal assistant to the chairman of what was then Orient Leasing. As part of the Sanwa Bank group, with which Barings set up a joint venture, the company was a natural port of call for the Brits.

Tuckey, who describes a visit to the Orix Blue Wave baseball team as "a pleasure probably still to come", sees in Miyauchi a man with "long exposure to western business".

There is no telling yet whether these sorts of relationship can really be put to work. As well as being impressed by his connections in Tokyo, Barings, with its emerging markets ambitions, thinks the new addition can provide "the Oriental perspective on China and throughout south-east Asia", as Tuckey phrases it. Big area, tall order.

Abracadabra

■ Hurry along now please with your submissions, to the UK's department of social security, to tender for providing "market research services using mystery techniques to measure levels of customer service". Bidders must supply details of "technical, professional or trade bodies" to which they belong, the Supplement to the EU's Official Journal specifies.

Magic Circle members preferred?

FINANCIAL TIMES
Wednesday March 23 1994

Seoul forces on alert for attack from north

John Burton in Seoul and George Graham in Washington

South Korean president Kim Young-sam yesterday ordered the country's military forces to increase their readiness for a possible attack by North Korea as international pressure intensified on Pyongyang to allow nuclear inspections.

Mr Warren Christopher, the US secretary of state, said diplomacy had "reached a critical point", but Chinese officials warned that sanctions or other moves against North Korea would only serve to increase tension on the Korean peninsula.

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N. Korea miscalculates, Page 6

Drugs groups cut spending on research and development

By Paul Abrahams in Tokyo

The growth of investment in research and development of pharmaceuticals by the world's top drugs groups decelerated steeply last year because of health care reforms and efforts to cut medicines spending.

The world's top 38 companies, which have reported their results, increased their R&D expenditure by only 9.6 per cent last year. That compares with industry growth rate during the 1980s of between 16 and 20 per cent.

The investment slowdown follows industry warnings that R&D spending was unsustainable because of government intervention to control drugs prices and consumption.

Pharmaceutical groups have been struggling with poor growth rates in the world's most important medicines markets. The increase in drug sales in the top seven European markets declined from 8 per cent in 1992 to only 1 per cent last year.

Most drugs groups have responded by cutting marketing and administrative overheads for the last two years. None had previously dared cut R&D, viewed as the life-blood of the industry.

But last year, among the top 38 pharmaceuticals groups, five companies (three in the US, one in Europe and one in Japan) were forced to reduce expenditure. They included Monsanto, Marion Merrell Dow and Parke Davis of the US, Ares Serono of Switzerland, and Shionogi in Japan.

Dr Leon Rosenberg, president, Bristol-Myers Squibb Pharmaceutical Research Institute, warned: "The heady days of R&D are over." Between 1981 and 1993, pharmaceuticals R&D spending rose from $5.4bn to $26.5bn according to the UK-based Centre for Medicines Research.

"Although the immediate effects will be limited because of the time it takes to develop new medicines, in the longer term the flow of innovative medicines is being threatened," Mr Bryan Wright, representative in Japan of the US Pharmaceutical Manufacturers' Association, said.

European companies appear to have been less affected than their US counterparts. The top 10 European groups, which have so far reported figures, increased their R&D spending by an average of 15.4 per cent from $6.09bn in 1992 to $7.1bn last year. They spent, on average, 16.9 per cent of sales on R&D. Those groups whose spending rose the most included Wellcome (30.6 per cent), Glaxo (24.2 per cent), and SmithKline Beecham (20.2 per cent).

The top 10 US groups increased their R&D spending 8.8 per cent from $7.85bn last year to $8.5bn. On average, they invested 11.2 per cent of their turnover in R&D. The top five Japanese companies raised their spending only 6.6 per cent from $1.78bn to $1.9bn, investing 11.4 per cent of their sales.

Those groups spending least have been most hit by the reforms. Among the lower-level spenders of the top 38 companies, R&D spending increased only 5.1 per cent.

The US figures follow a warning by the American Pharmaceutical Manufacturers' Association that its members expect to increase R&D spending only 9.4 per cent this year, the first single-digit increase since 1977.

That compares with average annual growth of 16 per cent between 1980 and 1992.

Pharmaceutical survey, separate section

Italian spending overshoots target

By Robert Graham in Rome

The Italian government yesterday revealed that spending in 1994 was liable to overshoot the budget target by L14,800bn ($8.8bn).

The estimate is based on first quarter treasury receipts which were lower than expected as a result of the recession biting deeper. At the same time social security spending has grown faster and the savings envisaged in the reform of the civil service have been slow to materialise.

The budget shortfall comes during the closing stages of the election campaign and underlines the limited options open to the next government. It would make it extremely difficult for media magnate Silvio Berlusconi to carry out his promise to relaunch the economy, reduce taxes and provide more jobs.

Instead the next government will probably be forced to introduce a corrective budget shortly after it takes office.

The 1994 budget envisages holding the budget deficit at L151,000bn, equivalent to 8.7 per cent of GDP. On yesterday's projections the deficit would expand to almost L160,000bn.

One area where spending has grown rapidly is pensions, and officials have warned this week that Italy will have to accelerate its plans to raise the pension age to 65 years. If tough measures are not taken on pension and health spending, the total social security budget may exceed 14 per cent of GDP.

Italy's state-dominated pension system is among the most generous in the EC and reforms introduced last year envisage only a gradual tightening of benefits and an extremely slow move from the current retirement ages. At present women retire at 55 and men at 60.

The pensions budget has been complicated by the recession with large-scale resort to early retirement agreements in order to facilitate industrial restructuring. This year the government approved a deal covering some 6,000 employees at Fiat and earlier this month agreed to fund an early retirement deal for the bulk of 12,000 redundant workers in Ilva, the state-controlled steel group.

The political parties in the election campaign have all emphasised the need to encourage private pension funds and to reduce the burden on the state.

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Prudential might reasonably plead special circumstances. Restructuring its direct sales force in the UK has yielded annual cost savings of more than£100m, but with inevitable disruption. As reorganisation comes to an end, the sales force must start to perform. More worryingly, Jackson National proved extremely vulnerable to low US interest rates, which made its annuities less attractive than equity-based savings products. Perhaps an infusion of new management and revamped product range will be enough to reverse last year's 38 per cent drop in sales.

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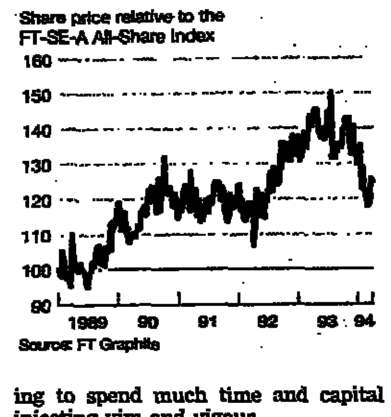
FT-SE Index: 3201.5 (+3.5)

Prudential



Source: FT Graphite

Bowater

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The most serious worry, though, is what differential rates of inflation will do to margins. Bowater's suppliers – most conspicuously the pulp and paper manufacturers – are currently pushing through big price rises. But it may prove difficult for Bowater to pass the parcel on to its customers, producing a nasty margin squeeze. Besides, Bowater's customers are growing ever more demanding, specifying shorter runs and higher standards. That puts another pressure on margins, which will not quickly be reversed. With no currency gains likely this year, Bowater's attractions as a recovery stock have soured. But with volumes growing at a respectable 3 per cent, Bowater still retains its longer-term appeal. After a frantic spell of corporate activity, Bowater must now consolidate. The shares seem likely to do the same.

Crédit Lyonnais

The French government faces a delicate task in the rescue of Crédit Lyonnais. It must not alienate outside investors to the point where privatisation becomes impossible. Equally it must not show so much favouritism that it upsets the rest of the French banking community. So far few details have emerged, though it is clear that tomorrow's deal will involve the transfer of non-performing property loans to a shell company. Precedent suggests this is one way of limiting the immediate bad debt provision – and therefore the capital injection from the government – but there is a cost in the form of future income forgone.

If it follows the established pattern, Crédit Lyonnais would lend the shell company enough to buy both the bad debt at its value after provisions and sufficient zero coupon bonds to finance eventual repayment of the borrowing. But Crédit Lyonnais would not receive interest on its loan to the shell company. Since debt transfers to the shall company could exceed 2 per cent of its loan book, that implies a drag on net interest income for years.

Crédit Lyonnais would thus find it harder in the recovery to reach the absolute levels of profitability established by other French banks. But its own recovery will be more pronounced simply because its provisions have been higher. And since the bank is trading at a 25 per cent discount to stated 1992 net assets, the market has priced in the risks.

GKN/Westland

Whatever the niceties about strategic vision and industrial logic, GKN's bid for Westland is settling down to an old-fashioned haggle over price. Unfortunately, from GKN's point of view, there may well be a gap between the price it is prepared to pay and the price which shareholders are prepared to accept. Sir David Lees, GKN's chairman, has said repeatedly that he will not "overpay" for Westland. That implies that any increase in the offer will be modest. There might conceivably be some flexing of terms over the Arab Organisation for Industrialisation settlement. GKN might, for example, keep all of any payment in return for a higher offer. But the total package seems unlikely to take the bid much over the current market price of 326p.

That may not be enough to dislodge Westland's heavily concentrated shareholders, particularly since one of the largest is M&G, which has a tradition of supporting existing management. In the absence of a substantially higher bid, institutions may also feel that they can play a waiting game. If the projected orders turn out to be pie, rather than helicopters, in the sky, they may think that they can sell to GKN later. Its 45 per cent holding suggests a continuing interest, and in any event, Westland's tax advantages do not become substantial until 1996. If the orders do materialise, however, Westland would be worth a good deal more than 326p. The unenviable problem facing Sir David is that if he refuses to overpay now, he may risk having to do so later.

Japan's economy stagnates

Continued from Page 1

1.1 per cent last year, or by 0.7 per cent between the third and fourth quarters, indicating that consumer spending has been relatively resilient in a weak labour market. Another positive sign was private housing investment which grew by 3.7 per cent during the year, or 1.8 per cent in the last quarter, helped by cheap government-backed mortgages.

Corporate investment fell by 8.4 per cent last year, of which 3.5 per cent was in the final quarter. The continued strength of the yen, which hit a high of nearly Y100 against the US dollar in August, weakened exports which were down 2.2 per cent from the third to the fourth quarters.

Fed signals rate rise

Continued from Page 1

cent. The speed of tightening, however, is likely to depend on the rate of economic growth later this year and the extent of upward pressure on inflation.

After weeks of anticipation, bond traders appeared relieved that the long-awaited boost in the Fed Funds target rate had finally taken place. The benchmark 30-year government bond, which is especially sensitive to inflationary expectations, showed the biggest gains, jumping about ¾ of a point to 92¼ within minutes of the announcement.

Additional reporting by Tracy Corrigan, Conner Middelman and Philip Gawith in London

FT WEATHER GUIDE

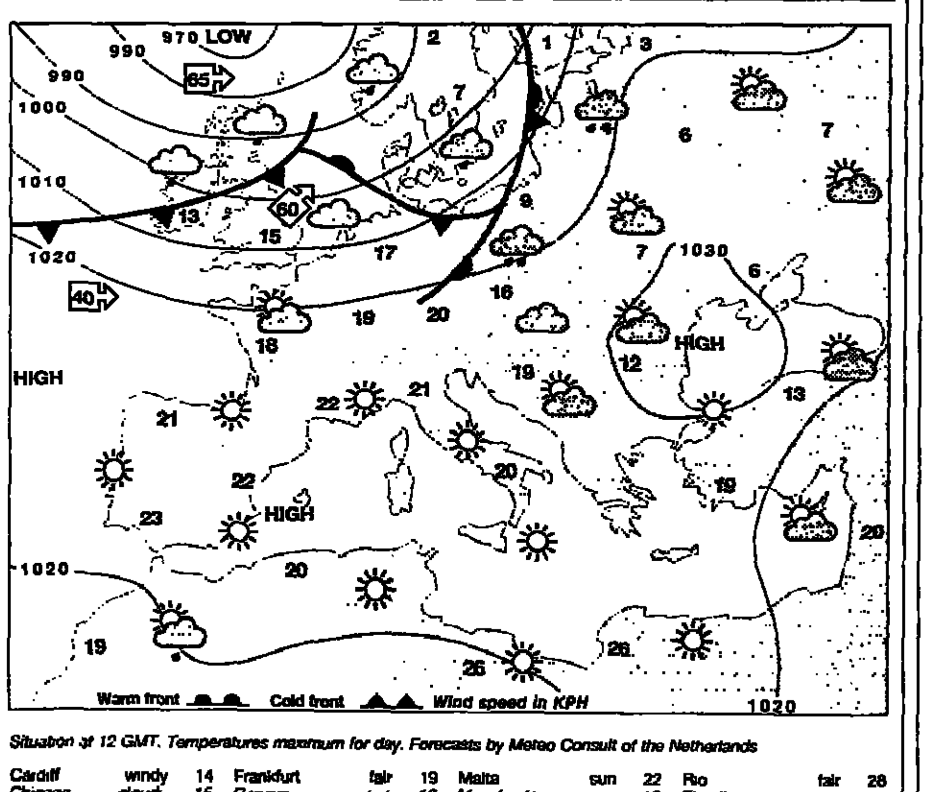
Europe today

An active low pressure system will result in gale force winds along British coastal regions and over the North Sea. A zone of moderate rain over Ireland and Scotland will gradually push southward. It will be cloudy with patches of light rain over England, the Benelux, northern Germany and Poland. Southern Scandinavia will have outbreaks of heavier rain, while in the north it will remain mostly dry with patches of sunshine. Central Europe will experience a mixture of clouds and sunshine. Sustained sunny periods are likely in the Mediterranean region. Temperatures will be above the seasonal normal over a large area, with readings ranging between 15C-23C.

Five-day forecast

Unsettled conditions will gradually spread into central and eastern Europe. Tomorrow, gale-force winds will buffet the coast of Denmark. It will be showery in Scotland and mainly dry in England, but England should experience rain on Friday. By the weekend, the UK will be unsettled and somewhat cooler. Scandinavia will experience wintry conditions with periods of snow and sleet or rain in the south.

It will be sunny over much of southern Europe with afternoon readings ranging between 19C-27C.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	30
Accra	shower	33
Algiers	cloudy	20
Amsterdam	cloudy	15
Athens	sun	17
B. Aires	fair	24
B ham	rain	14
Bangkok	thund	32
Barcelona	sun	19
Beijing	fair	9
Belfast	rain	12
Belgrade	fair	19
Berlin	shower	14
Bermuda	sun	22
Bogota	rain	19
Bombay	sun	34
Brussels	fair	17
Budapest	fair	13
C.hagen	rain	10
Cairo	sun	24
Cape Town	fair	23
Caracas	fair	26
Cardiff	windy	14
Chicago	cloudy	15
Cologne	fair	20
D' Salaam	fair	30
Dakar	sun	25
Dallas	fair	26
Delhi	sun	32
Dubai	sun	29
Dublin	rain	14
Dubrovnik	fair	19
Edinburgh	rain	11
Faro	sun	21
Frankfurt	fair	19
Geneva	sun	16
Gibraltar	sun	18
Glasgow	rain	11
Hamburg	rain	14
Helsinki	rain	4
Hong Kong	cloudy	17
Honolulu	shower	26
Istanbul	fair	12
Jersey	fair	16
Karachi	sun	34
Kuwait	fair	23
L. Angeles	sun	17
Las Palmas	sun	22
Lima	sun	27
Lisbon	sun	22
London	cloudy	17
Lux.bourg	fair	17
Lyon	sun	21
Madeira	sun	19
Madrid	sun	21
Majorca	sun	20
Malta	sun	22
Manchester	rain	13
Manila	fair	32
Melbourne	sun	25
Mexico City	sun	25
Miami	sun	28
Milan	sun	22
Montreal	cloudy	7
Moscow	fair	4
Munich	fair	19
Nairobi	fair	26
Naples	sun	20
Nassau	fair	30
New York	fair	17
Nice	sun	17
Nicosia	shower	19
Oslo	rain	8
Paris	fair	18
Perth	fair	33
Prague	shower	15
Rangoon	fair	35
Reykjavik	windy	4
Rio	fair	28
Riyadh	sun	26
Rome	sun	19
S. Frsco	shower	14
Seoul	shower	7
Singapore	shower	30
Stockholm	cloudy	8
Strasbourg	fair	22
Sydney	fair	21
Tangier	cloudy	19
Tel Aviv	fair	20
Tokyo	rain	16
Toronto	cloudy	9
Tunis	fair	21
Vancouver	shower	10
Venice	sun	19
Vienna	fair	17
Warsaw	shower	9
Washington	sun	22
Wellington	fair	18
Winnipeg	cloudy	-2
Zurich	fair	20

FINANCIAL TIMES
Wednesday March 23 1994

Seoul forces on alert for attack from north

John Burton in Seoul and George Graham in Washington

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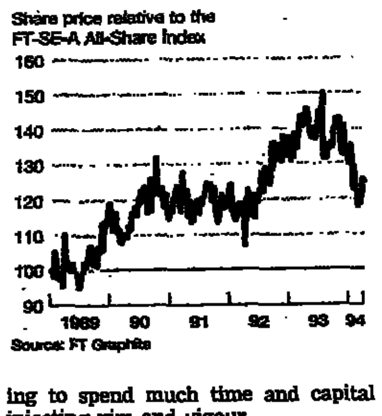

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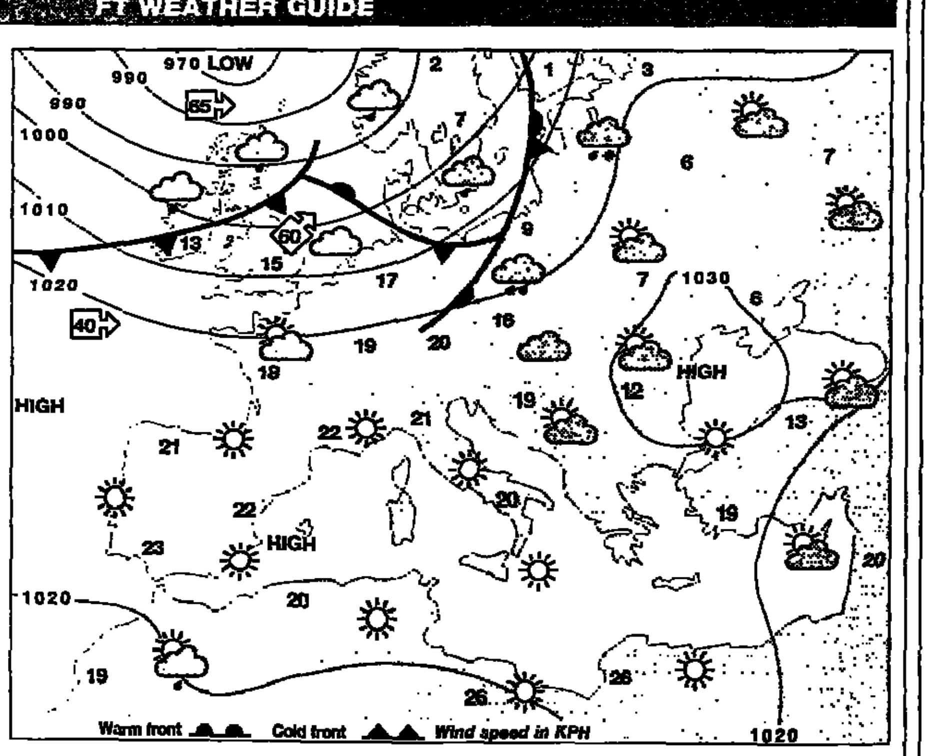
FT WEATHER GUIDE

Europe today

An active low pressure system will result in gale force winds along British coastal regions and over the North Sea. A zone of moderate rain over Ireland and Scotland will gradually push southward. It will be cloudy with patches of light rain over England, the Benelux, northern Germany and Poland. Southern Scandinavia will have outbreaks of heavier rain, while in the north it will remain mostly dry with patches of sunshine. Central Europe will experience a mixture of clouds and sunshine. Sustained sunny periods are likely in the Mediterranean region. Temperatures will be above the seasonal normal over a large area, with readings ranging between 15C-23C.

Five-day forecast

Unsettled conditions will gradually spread into central and eastern Europe. Tomorrow, gale-force winds will buffet the coast of Denmark. It will be showery in Scotland and mainly dry in England, but England should experience rain on Friday. By the weekend, the UK will be unsettled and somewhat cooler. Scandinavia will experience wintry conditions with periods of snow and sleet or rain in the south.
It will be sunny over much of southern Europe with afternoon readings ranging between 19C-27C.



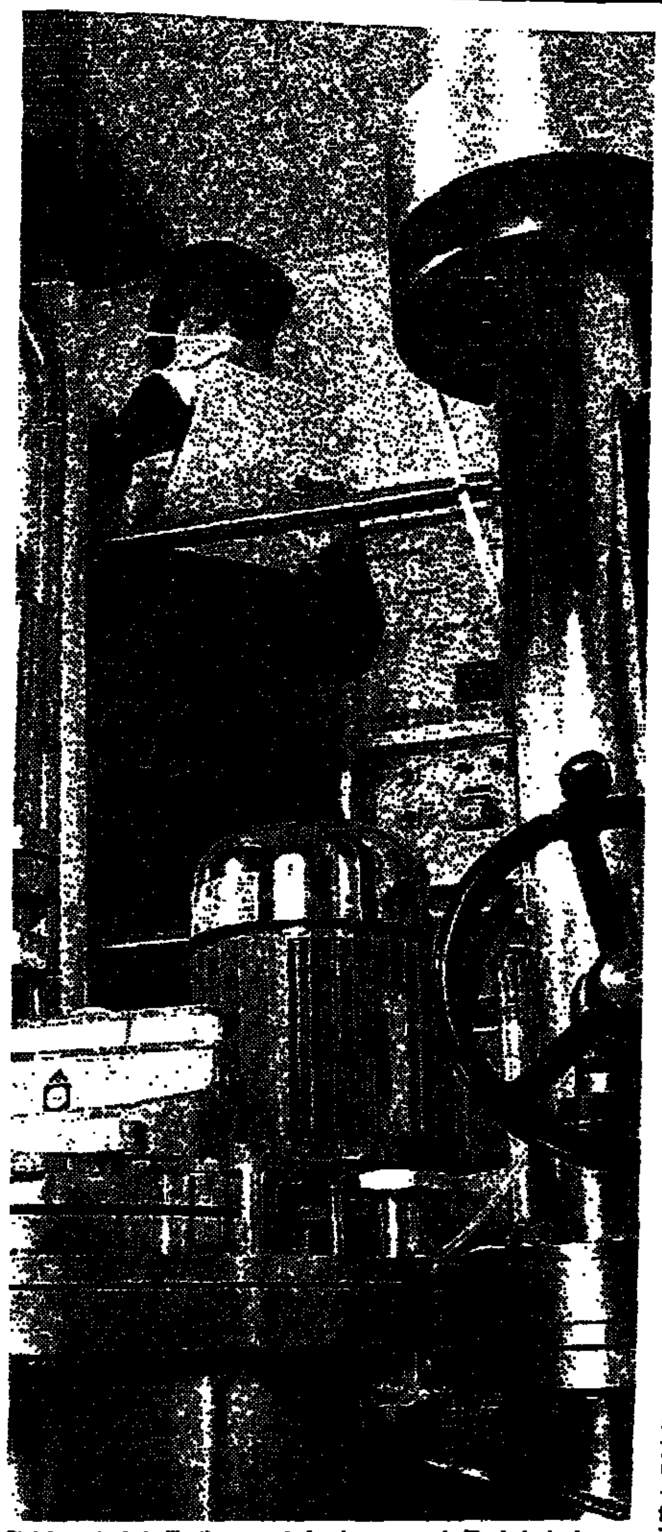
Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Belfast	rain	12	Cardiff	windy	14	Frankfurt	fair	19	Malta	sun	22	Rio	fair	28
	Celsius		Belgrade	fair	19	Chicago	cloudy	15	Geneva	sun	18	Manchester	rain	13	Riyadh	sun	26
Abu Dhabi	sun	30	Berlin	shower	14	Cologne	fair	20	Gibraltar	sun	18	Manila	fair	32	Rome	sun	19
Accra	shower	33	Bermuda	sun	22	D' Salaam	fair	30	Glasgow	rain	11	Melbourne	sun	25	S. Frsco	shower	14
Algiers	cloudy	20	Bogota	rain	19	Dakar	sun	25	Hamburg	rain	14	Mexico City	sun	25	Seoul	shower	7
Amsterdam	cloudy	15	Bombay	sun	34	Dallas	fair	26	Helsinki	rain	4	Miami	sun	28	Singapore	shower	30
Athens	sun	17	Brussels	fair	17	Delhi	sun	32	Hong Kong	cloudy	17	Milan	sun	22	Stockholm	cloudy	8
B. Aires	fair	24	Budapest	fair	13	Dubai	sun	29	Honolulu	shower	26	Montreal	cloudy	7	Strasbourg	fair	22
B'ham	rain	14	C.hagen	rain	10	Dublin	rain	14	Istanbul	fair	12	Moscow	fair	4	Sydney	fair	21
Bangkok	thund	32	Cairo	sun	24	Dubrovnik	fair	19	Jersey	fair	16	Munich	fair	19	Tangier	cloudy	19
Barcelona	sun	19	Cape Town	fair	23	Edinburgh	rain	11	Karachi	sun	34	Nairobi	fair	26	Tel Aviv	fair	20
Beijing	fair	9	Caracas	fair	26	Faro	sun	21	Kuwait	fair	23	Naples	sun	20	Tokyo	rain	16
									L. Angeles	sun	17	Nassau	fair	30	Toronto	cloudy	9
									Las Palmas	sun	22	New York	fair	17	Tunis	fair	21
									Lima	sun	27	Nice	sun	17	Vancouver	shower	10
									Lisbon	sun	22	Nicosia	shower	19	Venice	sun	19
									London	cloudy	17	Oslo	rain	8	Vienna	fair	17
									Lux.bourg	fair	17	Paris	fair	18	Warsaw	shower	9
									Lyon	sun	21	Perth	fair	33	Washington	sun	22
									Madeira	sun	19	Prague	shower	15	Wellington	fair	18
									Madrid	sun	21	Rangoon	fair	35	Winnipeg	cloudy	-2
									Majorca	sun	20	Reykjavik	windy	4	Zurich	fair	20

PHARMACEUTICALS: Research and Development

Wednesday March 23 1994



Stainless steel sterilisation vessels for drug research. The industry is finding itself in an increasingly difficult and pressured environment.

Research used to be an expense which was never questioned, but not any more. The high costs of developing new medicines, tighter regulatory demands – and pressures on national health budgets – mean that only those groups capable of bringing innovative preparations quickly to the market will survive. Paul Abrahams reports.

Survival of the fastest

The flow of funding for pharmaceuticals research and development – the lifeblood of the drugs industry – is under threat. Drugs companies' ability to raise R&D spending is being undermined by healthcare reforms introduced by cash-strapped governments around the globe.

"I've never seen the like of last year before. It was grim. Nearly every country took one route or another to cut drugs expenditure," laments Mr René Dehecq, president of Elf Sanofi, the French group.

Last year prescription drugs sales in the top 10 markets grew only 4 per cent, according to IMS International, the market research group. The sector is unlikely to expand faster this year.

The mood of the industry, which has been used to growth of between 17 per cent and 20 per cent a year, has descended into deep depression.

"The climate has changed dramatically from one of expansion to feelings of great introspection, examination and constraint," explains Dr Leon Rosenberg, president, Bristol-Myers Squibb Pharmaceutical Research Institute.

Admittedly, market growth had already been decelerating before last year but drugs companies had previously responded by cutting manufacturing, marketing and general administrative costs. R&D had remained inviolate.

Now, the precipitous rise in pharmaceuticals R&D – from \$5.4bn in 1981 to \$26.5bn last year according to the UK-based Centre for Medicines Research – appears to be ending. The top 10 R&D spenders last year increased their investment by only 11.4 per cent.

The deceleration in R&D growth may be inevitable, according to Prof Jürgen Drews, president of international R&D at Roche, the Swiss healthcare group.

"The industry has clearly been over-spending. Global prescription sales would need to reach about \$280bn a year within 10 years to justify the present levels of investment. The chances of reaching that figure are more than low - they are non-existent," warns Prof Drews.

The 10 largest prescription drugs markets – representing more than 90 per cent of the world market – were worth \$114.9bn last year.

Astra, and three British companies – Glaxo, Wellcome and SmithKline Beecham – increased their spending by more than 20 per cent last year.

Most companies registered only single-digit R&D growth, and a few – for the first time in recent memory – actually cut R&D spending last year. Among the top 40-odd pharmaceuticals groups, five companies – three in the US, one in Europe and one in Japan – were forced to reduce expenditure in not only real, but also nominal, terms.

Mr Lodewijk de Vink, president and chief operating officer at Warner-Lambert, whose

- ☐ What companies are spending on research and development – see table, page two.
- ☐ New products: leading compounds now in development – see list, page four.
- ☐ World drug purchases – see page four.

drugs subsidiary Parke Davis cut its budget, explains: "R&D used to be a cost-centre that was never questioned. But the days of macho spending are over. Current levels of spending are clearly unsustainable and there will be more companies out there cutting R&D. More is not necessarily better."

Dr Rosenberg concludes: "The worst case scenario would be that the pharmaceuticals industry as we know it disappears because companies no longer believe that there is a likelihood of generating a reasonable return on money put into research. The heady days of R&D are over."

The impact of healthcare reform and the consequent slowing of sales growth on R&D spending can be seen in the table *(see page two)*, compiled by the Financial Times.

A few groups, mostly European companies with strong volume growth, have managed to avoid slowing their investment. For example, Sweden's

The dangers of cutting research and development are considerable, however. For some groups it could prove terminal.

"Once a company starts cutting R&D, then it's over. It's the lifeblood of a pharmaceuticals company," warns Dr Edward Scolnick, president of Merck Research Laboratories, the US's biggest drugs group.

Mr Bill Steere, chairman and chief executive of Pfizer of the US and chairman of the US Pharmaceutical Manufacturers' Association, explains: "Those companies without anything in their pipeline and with slowing sales are going to find it increasingly difficult to justify funding R&D aggressively.

"They're going to get more and more frightened as their income recedes and that will set up some kind of synergistic death spiral as they cut R&D because their income is dropping. They'll be killing themselves."

The irony is that at the same time as R&D spending growth is decelerating, the scientific opportunities for creating innovative new medicines are expanding rapidly.

Biotechnology and a greater understanding of the life and death of the cell are opening up vast new scientific and medical horizons, according to Sir Richard Sykes, chief executive of Glaxo, Europe's largest drugs group.

"The basic biology of cellular mechanisms is becoming more and more understood. Drug design is becoming more of a science than an art," he says.

Dr William Scott, senior vice-president of exploratory drug discovery research at Bristol-Myers Squibb, explains: "The opportunities for making better drugs are greater than ever before. In a short period of time, most genes in the human body will be sequenced. Once we can identify the molecular basis of diseases, then we can begin to treat them."

Continued on next page

Among pharmaceutical companies, only those capable of discovering and developing innovative drugs on a global basis will survive

Pharmaceutical research and development, 1992-93

	R&D, 1992 in $m	R&D, 1993 in $m	Increase %, 1993	Sales, 1993	% R&D/ sales
1. Roche	1,090	>1,240	>13.8	5,261	23.56
2. Johnson & Johnson*	1,111	1,200	8.0	14.130	8.5
3. Merck*	1,117	1,170	4.7	10.490	11.15
4. Glaxo**	880	1,093	24.2	6.060	18.00
5. BMS	932	972	4.3	6.524	14.90
6. Eli Lilly*	925	954	3.1	6.500	14.67
7. Pfizer†	763	888	16.4	6.210	14.30
8. Abbott†	772	881	14.1	8400	10.48
9. Bayer†	714	810	13.4	5.522	14.60
10. Sandoz	751	>801	>6.7	4.948	>16.2
11. Hoechst	792	n/a	n/a	n/a	n/a
12. SmithKline Beecham	609	732	20.2	5,153	14.20
13. American Home Products*	552	663	20.1	8.304	7.98
14. Ciba	657	n/a	n/a	n/a	n/a
15. Monsanto*	651	620	–4.8	7.902	7.80
16. American Cyanamid	531	596	12.2	4.277	13.9
17. Schering-Plough*	521	578	10.9	4.341	13.30
18. Rhone-Poulenc Rorer	521	561	7.7	4.000	14.05
19. Upjohn	510	566	11.0	3.007	18.80
20. Takeda §	535	557	4.1	6.720	8.28
21. Boehringer Ingelheim	489	n/a	n/a	n/a	n/a
22. Wellcome ☆	369	482	30.6	3.019	15.90
23. Corange	459	n/a	n/a	n/a	n/a
24. Marion Merrell Dow	465	451	–3.0	2.818	16.0
25. Schering	422	450	6.6	2,379	18.90
26. Zeneca	378	429	13.5	2.768	15.49
27. Elf Sanofi	352	414	17.6	2.120	19.60
28. Syntex*	374	404	8.0	2.123	19.00
29. Astra	298	389	30.5	2.712	14.30
30. Pharmacia	384	n/a	n/a	3.290	n/a
31. Parke Davis	383	380	–0.8	2,114	18.00
32. Yamanouchi	320	360	12.5	n/a	n/a
33. Fujisawa	335	357	6.6	2.390	14.80
34. Sankyo §	318	345	8.5	3,570	9.60
35. Genetech	279	299	7.2	457	65.00
36. Eisai §	273	277	1.5	2,100	13.20
37. Novo Nordisk*	225	257	14.2	1.790	14.30
38. Shionogi §	260	254	–2.3	2.140	11.80
39. Daiichi §	217	234	7.8	1,880	12.30
40. E.Merck	217	221	1.8	1.572	14.06
41. Knoll (BASF)	172	185	7.6	1.050	17.60
42. Synthelabo	156	174	11.5	1,114	15.60
43. Solway	180	n/a	n/a	n/a	n/a
44. Ares Serono	133	118	–11.3	755	15.60

Currencies as at December 31, 1993; *indicates group; **year-end June 30, 1993; † indicates healthcare; § estimates for 1993; ☆ indicates year-end, August 30, 1993. *Source: Financial Times – data compiled by Anne-Brit Dullforce and Paul Abrahams.*

Production methods are being streamlined: pictured here is a tableting line at Napp Laboratories, Cambridge Science Park, Cambridgeshire

Picture by Tony Andrews

Playing for high stakes in molecular roulette

Continued from previous page

The problem of how to access such new technologies is exercising the minds of all research directors. Many are clearly irked by the view propagated by small biotechnology pharmaceuticals groups are being left behind.

Although a few groups such as Roche and Rhône-Poulenc Rorer have acquired biotechnology companies, others have limited themselves to small joint-ventures, adopting a portfolio approach.

The difficulty for the pharmaceuticals companies is creating the in-house expertise capable of judging which projects to pick.

Dr Hiroyki Nagasako, board director for corporate planning at Daiichi, the Japanese group, explains why his company has no plans to link up with biotechnology companies: "There are exciting things happening in the US biotechnology industry but frankly you need to develop proper levels of expertise to manage these technologies and unfortunately we do not have these skills. It's an expensive business and you can waste a lot of money."

Given the increasingly difficult environment for pharmaceuticals companies, only those capable of discovering and rapidly developing innovative drugs on a global basis will survive.

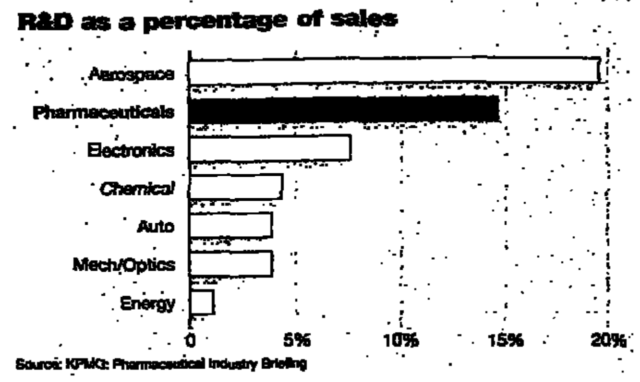
Dr John McCall, executive director of discovery research at Upjohn in the US, says: "The right response to the new environment is clearly to develop novel compounds. They're *more fun to work with, easier* to register with the regulatory authorities and more profitable. There will be no place for me-too, copy-cat, drugs in the future."

Targeting innovative drugs is a high-risk, high reward strategy.

"Development is going to be riskier," says Dr Robert Spiegel, senior vice-president of clinical research at Schering-Plough research institute in the US.

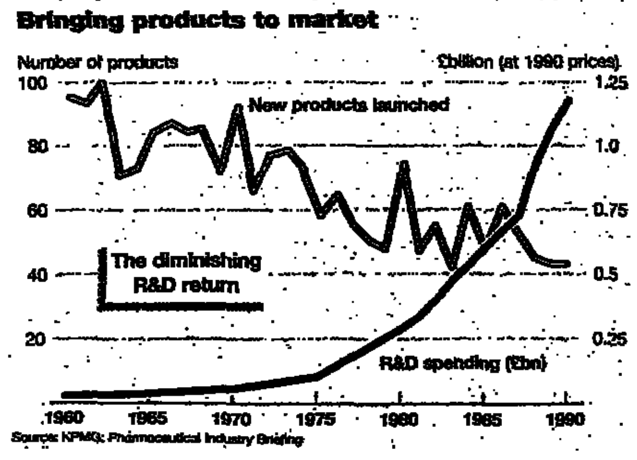
"There will be companies capable of discovering innovative profitable compounds that allow them to fund further research, and then there are others who are just going to go down the tubes."

R&D as a percentage of sales



Source: KPMG: Pharmaceutical Industry Briefing

Bringing products to market



Source: KPMG: Pharmaceutical Industry Briefing

Meanwhile, given the deteriorating operating environment, company boards are now insisting that money spent on R&D is invested increasingly productively.

Dr Trevor Jones, Wellcome's director of research, development and medical UK, admits: "Until recently the pressure to *look very hard at what* we ought to do has simply not been there."

Almost all R&D directors are focusing their efforts, cutting the number of therapeutic areas they explore. They are also concentrating their resources, taking fewer but more innovative compounds from the laboratory into clinical trials.

They aim to develop drugs as quickly as possible in the three main markets, the US, Japan and Europe so that the huge costs of developing the medicines can be recouped.

The regulatory environment is not conducive to rapid development, however. Regulatory authorities now require more than simple data proving a drug is safe and effective. They are already demanding further data to demonstrate a new compound is better than existing therapies.

In addition, pharmaceuticals companies are also being drawn into the statistical and methodological quagmire of health economics as the authorities demand data proving a medicine is cost-effective. Both trends add time to the cost and duration of a drug's development.

Given the increasing cost of drug development and *the need to focus* resources, a number of pharmaceuticals companies have reacted by forging alliances in particular therapeutic categories.

"We need to collaborate more, not compete in basic research," explains Mr Robert Cawthorn, chief executive of Rhône-Poulenc Rorer.

However, greater scientific collaboration, cost-cutting, and better use of existing resources can only go so far.

"It's going to be a lot smaller industry. There's going to be a lot of consolidation," says Mr Steere at Pfizer.

Second tier companies will need to allocate their resources carefully, employ considerable skill and enjoy a great deal of luck if they are to develop the *next generation of products* capable of ensuring their survival in this ever-harshening healthcare environment.

The stakes involved in playing molecular roulette are higher than ever before. Few of those that fail to develop innovative drugs will be independent by the end of the decade.

■ RESEARCH TRENDS

Combination of brains and brawn

Drug discovery, the first phase of pharmaceutical research, is being reshaped by several strong technological forces, writes Clive Cookson, Science Editor

Two of the most powerful factors in pharmaceutical research may seem to be leading in different directions. One is the ability to screen vast numbers of molecules – which may be natural products or synthetic chemicals – ever more rapidly for useful pharmacological activity. The other is the use of computers to design an individual molecule to fit perfectly into a particular biochemical slot, such as a receptor site on an enzyme.

There are indeed companies focusing hard on one or other of these approaches. For example, Affymax of Palo Alto, California, has pioneered a technique to make and test millions of new compounds, by putting together peptides from random combinations of amino acids. The pharmaceutical industry is suddenly showing great interest in creating huge "chemical libraries" of this sort for mass screening.

At the other extreme is Agouron, based further south in La Jolla, California. It is a leading exponent of "rational drug design" by computer. The company says its anti-cancer drug AG-337, now in clinical trials, is the first in the world developed from scratch by computational chemistry, without reference to existing compounds. Agouron designed AG-337 to inhibit thymidylate synthase, an enzyme required by rapidlydividing cancer cells.

But most drug companies are combining brains and brawn in their approach to drug discovery, says Dr Trevor Nicholls, European managing director of Amersham Life Science, a UK-based supplier of research tools to the pharmaceutical industry – "some of our customers are using both approaches in tandem. They look for a good shape to fit a particular receptor, through the principles of rational drug design, and synthesise many molecules with the same general shape. Then they use 'high throughput screening' to find the best of this rationally chosen bunch."

Sir Richard Sykes, chief executive of Glaxo, agrees that the use of chemical libraries in this way has enormous potential – "if you have a target – if you have identified a receptor or enzyme, you can clone its gene and crystallise the resulting protein. Then you can look at the active site and say: this is the sort of molecule you can fit into it. With chemical libraries, you can make thousands of variants and see whether by iteration you can get a better and better fit.

In the next few years, there will be more emphasis on experiments taking place within living cells

"You're limited at the moment with chemical libraries – they consist mainly of peptides – but as the technology develops you will be able to make thousands of variations of these molecules instead of needing medicinal chemists to make them. Then the fine tuning would be done by medicinal chemists," Sir Richard says.

Glaxo launched a chemical libraries initiative last year. In the US the company has an ambitious programme to synthesise a million small molecules. In the UK, Glaxo is concentrating on building up chemically diverse collections of organic molecules that might be developed into drugs.

Sir Richard says chemical libraries and their associated technologies will enable research chemists to spend less time on the routine aspects of organic synthesis and more on the creative *medicinal* aspects of chemistry.

Meanwhile laboratory automation, together with new techniques such as Amersham's Scintillation Proximity Assay, is rapidly speeding up the rate of screening. "People are regularly running assays with up to 10,000 samples on a single screening run, which can be completed within a day," Dr Nicholls says. "Some companies are now looking to increase that by a factor of 10, for example by mixing several compounds in a single well. If you get a 'hit' in a particular well, you then separate the compounds out and test them individually."

Dr John McCall, executive director of discovery research at Upjohn, says his company is "now using recombinant technology to screen as many as 12,000 compounds in a day – which used to take 12 to 15 months. That represents one of the biggest revolutions in molecular biology."

Both mass screening and rational drug design share a common underlying technology: genetic engineering. They are feasible because "recombinant DNA" techniques enable researchers to clone the gene for any protein receptor and transfer it to cells in culture, which then produce large quantities of the pure protein.

For screening, the protein is incorporated in an assay which tests whether candidate drugs bind to it. For drug design, X-ray crystallography is used to obtain the protein's precise three-dimensional structure which can then be fed into a computer programmed to carry out molecular modelling.

Agouron employs 17 X-ray crystallographers who play a central role in the drug design process. They crystallise not only the pure target protein but also the complex formed when the drug binds to it. Their structures are fed back to the computer scientists, who use the detailed information about the binding site to improve the drug further. So the design process involves an iterative cycle between computer modelling and crystallography.

How will drug discovery develop in the future? "Over the next few years, we're going to see more emphasis on experiments taking place within living cells," predicts Dr John Maynard, research director of Amersham International. "You can only examine cellular expression systems by looking at living cells."

Sir Richard Sykes believes that it will become technically possible to improve the structure of candidate drugs *in situ*, while the molecule is actually attached to the target site, through a process of chemical evolution – "the long-term potential is to put some sort of evolutionary pressure on the discovery process," he says.

"For example, if you have an enzyme, by an evolutionary technology you would develop the molecule within the active site. I would think this is the way people are thinking: move away from peptides to small organic molecules and alter them within the active site. In effect you're trying to speed up the process of natural evolution."

■ CONTRACT RESEARCH

Big change in attitudes

One of the fastest growing aspects of pharmaceutical R&D is contract research

Contract research has expanded from a small cottage industry in the mid-1970s to a business whose worldwide turnover is now estimated at $3bn a year.

Contract research organisations – known generally as CROs – span the whole spectrum of pharmaceutical R&D. In the discovery phase, they synthesise tiny quantities of research chemicals and help to elucidate the pharmacological action of new molecules.

But their biggest contribution comes in clinical development; indeed, some of the larger CROs have built up clinical departments as large as those in medium-sized pharmaceutical companies. Toxicology and laboratory analysis are the most mature sectors of the CRO market, in which companies routinely contract out work.

A book just published* by Technomark, a London consultancy, contains what is claimed to be the first comprehensive analysis of the international contract research industry. It shows that there about 1,000 CROs worldwide, of which at least 20 have revenues exceeding $20m a year.

Richard Wyse and Graham Hughes, the Technomark authors, estimate that the European CRO industry has a turnover of about $900m, of which the UK accounts for $400m. Britain is the preferred location for drug development programmes, they say, because of the strength of its scientific expertise, its health and academic infrastructure and, above all, its favourable legislative and economic conditions.

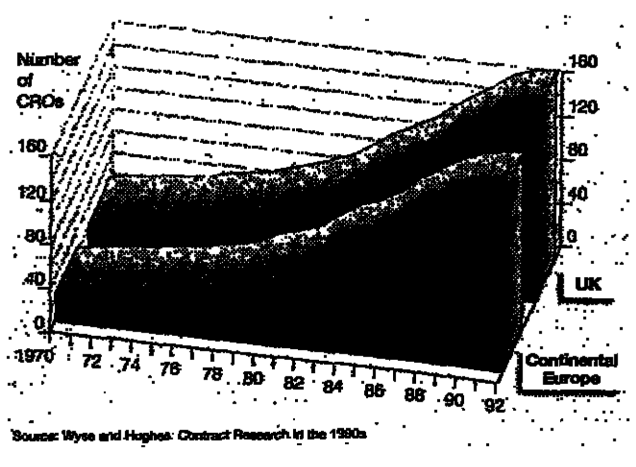
Factors fueling the rapid growth in contracting out include:

- Regulatory and legislative changes which require pharmaceutical companies to carry out larger and more wide-ranging studies.
- Globalisation of the pharmaceutical industry; CROs have local knowledge and skills which can be very attractive to, say, a Japanese drug company trying to expand into Europe.
- Growth of biotechnology companies which have little in-house experience of the complex process of clinical development and cannot afford to staff their own overseas offices.
- Strategic decisions by many pharmaceutical companies to use CROs for certain areas of R&D, so as to accelerate development and cut costs.
- Increasing recognition by the industry that CROs represent a valuable source of expertise.

Sir Richard Sykes, chief executive of Glaxo, explains why CROs are so useful – "in R&D, there's a baseline level of activity and then there are peaks and troughs. It's important not to staff up for the peaks," he says. "The idea is generally to contract out for the peaks; that way we can keep a lean machine."

That is the classic justification for contracting-out. Dr Pierre Simon, R&D director of Elf Sanofi, puts it similarly: "Development comes in waves. We want to use our development capacity at 100 per cent," he says. "Anything over 100 per cent and we turn to CROs. That's better than hiring new people. This is an unstable world. I'd prefer not to hire people and then fire them a couple of years later."

Growth of Contract Research Organisations



Source: Wyse and Hughes: Contract Research in the 1990s

Japanese drug companies with global ambitions have particular reason to contract out clinical development overseas. "We already use CROs in the US," says Mr Masaji Ohno, managing director for R&D at Eisai. "We aren't sure in Europe yet. There's no tradition of CROs in Japan, but they make it very easy to enter clinical trials. It allows us to avoid building up an expensive infrastructure overseas."

Mr Mitsuhiko Sentoku, director of planning and development for Daiichi, agrees. "We can acquire very good clinical data in London – we're putting one of our leading products Cravit through CROs in Europe. That avoids having to build up important infrastructure."

Sir Richard Sykes draws a clear distinction between contracting-out and collaborative research. "Contracting-out is for a specific task; we lay down the parameters and we pay for it," he says. "That's quite different from collaboration, where there's a close flow of information between us and our partners."

In 1992/93, Glaxo spent £183m on research, of which £39m went to external organisations – mainly collaborative partners. In the same year, the company spent £556m on development, of which £128m was external – mainly contracted out.

"Our major competitors are still the pharmaceutical companies themselves, rather than other CROs," says Dr John Mills, senior vice-president for Europe at Besselaar – one of the largest CROs with 1,100 employees worldwide.

"In some companies the medical directors are resistant to contracting-out because they think they will lose control by handing work over to us. People are not yet as open with us as they could be."

Even so, Dr Mills says, there has been a huge change in attitudes over the past 20 years.

"When I started out in the industry, you contracted-out the bits which you really didn't want to do or which you were afraid might fail.

"Contracting was regarded as a rather mucky end of the business – and not very exciting. We're much more respectable now."

Mr Simon Garnham, who founded Chiltern International in 1982 and has seen it grow into a substantial European CRO, describes another change.

"The market has developed from a very immature, not to say casual, situation 10 to 15 years ago when significant clinical research expenditures were often made on the basis of discussions and a simple exchange of letters, to a point today where sophisticated 30-page legal agreements accompanied by full product specifications and costings are more the norm."

Most people in the contract research industry expect it to continue growing in the years ahead, though not as quickly as over the past two decades.

"The minimum critical mass necessary to undertake larger projects today is somewhere of the order of 100 staff, spread amongst a balance of departments giving really quite significant drug development capabilities," says Mr Garnham.

"But by trying to keep the size of functional groups modest, say between 20 and 30, it is possible for contractors to respond to clients better and for clients to identify better with those groups who are providing services.

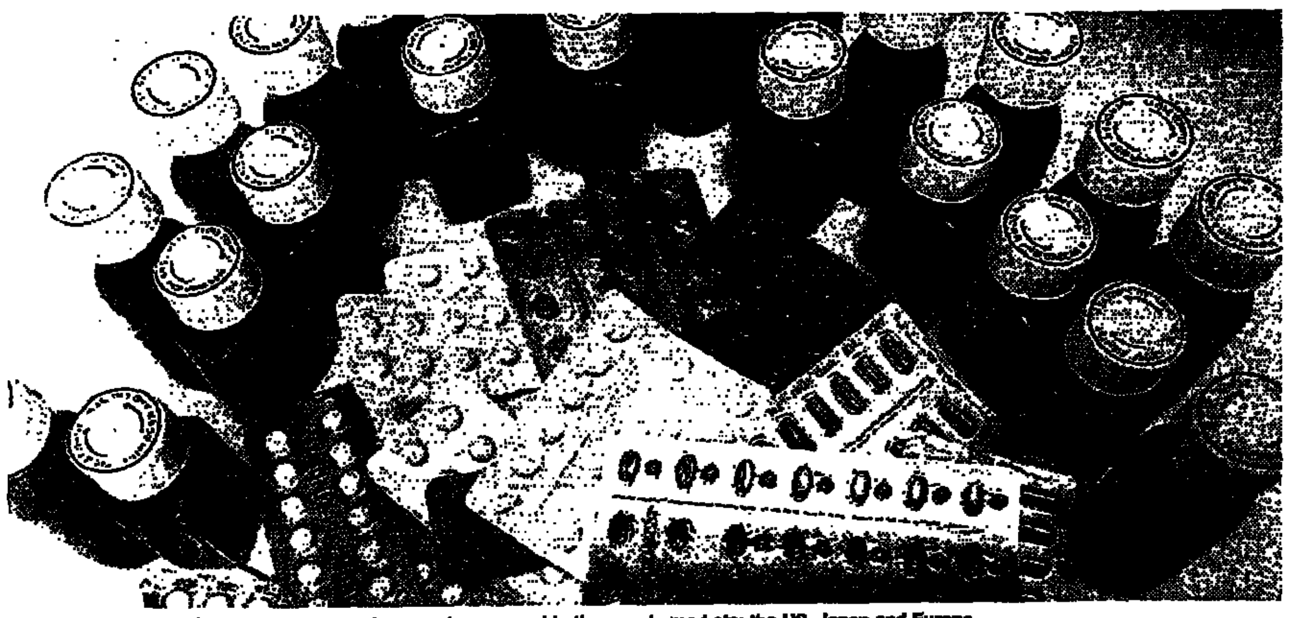
"Overall, the market today is still very fractured," he says. "In 20 years' time, people in business schools will probably look back and refer to this as a classic situation of an immature market developing and polarising into a relatively small number of relatively large players who dominate the game, together with a relatively large number of small players to provide highly specialised services – in particular, therapeutic or geographical areas."

□ □ □

**Pharmaceutical Contract Research in the 1990s*, £250; from Technomark, King House, 5-11 Westbourne Grove, London W2 4UA.

Clive Cookson

PHARMACEUTICALS 4



The race to market: high development costs are only recouped in three main markets: the US, Japan and Europe

World pharmacy drug purchases in US$ (millions)

Figures for the period: January to December, 1993

Product area	N America	Japan*	Germany	France	Italy	UK	Spain	Netherlands	Belgium
Cardiovascular	7,983	3,115	3,100	2,960	1,821	867	780	295	303
Alimentary/metabolism	7,776	3,880	2,209	2,059	1,290	977	669	363	241
Central nervous system	8,003	1,023	1,341	1,355	807	698	433	196	234
Respiratory	5,205	1,660	1,358	998	547	774	424	230	154
Anti-infectives	4,595	2,722	790	1,494	876	376	551	108	196
Musculo-skeletal	2,445	1,962	715	542	499	366	219	74	88
Blood agents	2,062	1,551	494	718	580	82	221	63	60
Genito-urinary	3,184	378	762	578	291	281	103	97	72
Dermatological	2,763	665	702	502	261	294	192	79	58
Miscellaneous	2,105	1,276	486	358	611	168	407	24	19
Hormones	472	342	246	147	339	61	229	19	39
Cytostatics	665	614	263	168	371	81	124	33	45
Sensory organs	1,392	563	170	222	116	92	61	30	23
Parasitology	80	6	23	38	5	22	4	6	3
Hospital solutions	2	468	21	9	38	4	2	0	0
Total	48,732	20,215	12,660	12,148	8,452	5,143	4,419	1,617	1,533
% increase	5	6	9	6	2	11	12	11	6

* Indicates non-hospital market only; data source for the above table: Pharmaceutical Business News, market report, March 1994; the table below is from Lehman Brothers.

Potentially important pharmaceuticals now under development

Company	Therapeutic Class	Indication	Company brand name	Generic name	Launch date, Major markets
Chiron	Antibiotic	septic shock		anti-TNF MAb	94 Wrld
Bayer	Antibiotic	septic shock	BAY 1351	anti-TNF MAb	97 Wrld
Celltech	Antibiotic	septic shock	CDP571	anti-TNF MAb	97/8 Wrld
Bayer	Antibiotic	septic shock	10-3356	anti-TNF MAb	? Wrld
Synergen	Antibiotic	septic shock	Antril	IL-1 rec. ant.	95-96Wrld
British Bio-tec	Antibiotic	septic shock	BB-882 i.v.	lexipafant	97+ Eur+US
Bristol Myers Sqb	Anti-viral	Aids	Zerit	stavudine(d4T)	94 Wrld
Upjohn	Anti-viral	Aids		U-87201	? US
Roche	Anti-viral	Aids		Ro-318959	96/7 Wrld
SmithKline Bchm	Anti-viral	AIDS		SK&F ?	97 Wrld
Roche	Anti-viral	Aids		Ro-247429	96/7
Hoechst	Anti-viral	Aids	Trental	pentoxyfylline	USA
Rhone P Rorer	Anti-viral	Aids	RG 83894	killed virus	96 Wrld-Asia
MicroGeneSys	Anti-viral	Aids		gp160	
Genentech	Anti-viral	Aids		gp120	97 US
British Bio-tec	Anti-viral	Aids		p24-VLP	97 Wrld
SmithKline Bchm	Anti-viral	herpes	fam/penciclovir (tid)	94 Eur	
SmithKline Bchm	Anti-viral	herpes	fam/penciclovir (tid)	94 US	
SmithKline Bchm	Anti-viral	herpes	fam/penciclovir (tid)	96 Jap	
Wellcome	Anti-viral	herpes simplex	Valtrex	valaciclovir (bid)	95/6 US+Eur
Wellcome	Anti-viral	herpes simplex	Valtrex	valaciclovir (bid)	97 Jap
Wellcome	Anti-viral	herpes zoster	zonavir	BW 882C	96-97Jap
Wellcome	Anti-viral	herpes zoster	zonavir	BW 882C	97 US+Eur
Merck	Anti-viral	herpes zoster		-	93 US
Lilly, Eli	Anti-viral	influenza	LY 217896	amitivir	95/96Wrld
Yoshitomi	Arthritis	NSAID		Y-23023	96+ Jap
Fujisawa	Arthritis	NSAID		FK 3311	Jap
Sankyo	Arthritis	NSAID		CS 670	96+ Jap
Dainippon	Arthritis	NSAID	Dibenon	bermoprofen	95 Jap
Sandoz	Arthritis	immunosupp.		cyclosporin(liq/soft gel)	93-95Wrld
Nippon Shinyaku	Arthritis	immunosupp.	Orcl	actarit	94 Jap
Synergen	Arthritis	immunosupp.	Antril	IL-1 rec. ant.	95-96Wrld
Pfizer	Arthritis	5-lipoxygenase inhib	Enable/Enablex	tenidap	94 Wrld
Zeneca	Arthritis	5-lipoxygenase inhib		D-2138 (oral od)	? Wrld
Greenwich	Arthritis	mod carbohydrate	Therafectin	amiprilose	95 US
Syntex	Arthritis	mod carbohydrate	Therafectin	amiprilose	? US+Can
Hoechst	Arthritis	immunological		leflunomide	98 Wrld
Syntex	Arthritis	immunological		leflunomide	98 Wrld
Syntex	Arthritis	purine syn inh		mycophenolate mofetil	95+ Wrld
Celltech	Arthritis	monoclonal antib.	CDP571	anti-TNF MAb	00 Wrld
Wellcome	Arthritis	monoclonal antib.		Campath-1H	98+ US+Eur
Centocor	Arthritis	monoclonal antib.	Centara	anti-CD4 MAb	95 Wrld
Xoma	Arthritis	monoclonal antib.	CD5+	anti-CD5 immunotox.	96 Wrld
Schering Plough	Cancer	androgen/anti	Eulexin	flutamide	89 Wrld-Jap
Nippon Kayaku	Cancer	androgen/anti		flutamide	93 Jap
Zeneca	Cancer	androgen/anti	Casodex	ICI-176334 (od)	95 Wrld
Sterling	Cancer	androgen/anti		zanoterone	98+ US
Nippon Kayaku	Cancer	oestrogen/anti		toremifene	93 Jap
Zeneca	Cancer	oestrogen/anti.		ICI-182780	? Wrld
Takeda	Cancer	LH-RH analogue	Lupron	leuprorelin	91 Jap
Ciba	Cancer	aromatase inh.	Lentaron	formustine(im)	2H92 Eur
Ciba	Cancer	aromatase inh.	Fadrozole	fabiozol	95-6 Wrld
Zeneca	Cancer	aromatase inh.	Arimidex	ICI-D1033 (od)	96+ Wrld
Zeneca	Cancer	thymidylate syn inh.	Tomudex	D-1694	? Wrld
Liposome Comp.	Cancer	antibiot./intercalat.	Dox-99	doxorub.-liposome	96 US
Pfizer	Cancer	antibiot./intercalat	TLC D-99	doxorub.-liposome	96 US
Pharmacia FICE	Cancer	antibiot./intercalat	Pharmorubicin	epirubicin	93 US
Knoll/BASF	Cancer	antibiot./intercalat.		amonafide	95 Eur+US
Pharmacia FICE	Cancer	antibiot./intercalat	FCE 23762	methoxymorpholino dox	? Eur
Upjohn	Cancer	antibiot./intercalat.	Tomosar	menogaril	95 Jap only
Du Pont Merck(iv)	Cancer	antibiot./intercalat	CI-941	biantrazole	95+ Eur
Du Pont Merck (iv)	Cancer	antibiot./intercalat.	DUP 937	anthrapyrazole	95+ Eur
Schering AG	Cancer	anti-metabolite	Fludara	fludarabine (iv)	93 Eur
Lederle/Cyan'd	Cancer	anti-metabolite	Isovorin	leucovorin Ca (l)	91 US
Lederle/Cyan'd	Cancer	anti-metabolite	Nipent	pentostatin	92 UK
Bristol Myers Sqb	Cancer	anti-metabolite	Taxol	paclitaxel	93-96Wrld
Rhone P Rorer	Cancer	anti-metabolite	Taxotere	docetaxol	95 US/Eur+Jap
Ciba	Cancer	anti-metabolite	10-edam	edatrexate	95 US+Eur
Pharmacia FICE	Cancer	anti-metabolite	FCE 24517	tallimustine	99 Wrld
British Bio-tech.	Cancer	metalloprot. inh.	BB-94 oral	batimastat	97 Eur +US
Daiichi	Cancer	topoisomerase inh.	Topotecin	irinotecan	5/94 Jap
Chugai	Cancer	metal complex		DWA-2114A	93 Jap
Knoll/BASF	Cancer	immunological		TNF	95 US
Wellcome	Cancer	cytokines	Wellferon	interferon-a	92 US
Ares-Serono	Cancer	cytokines	Rebif	interferon-b-r	94 Eur
Biogen	Cancer	cytokines		interferon-b-r	95/6 US
Schering AG	Cancer	cytokines	Betaseron	interferon-b-r	95/6 US
Schering AG	Cancer	cytokines	Betaseron	interferon-b-r	95 Eur
Immunex	Cancer	cytokines		interleukin-2	(92) lic out
Chiron	Cancer	cytokines	Proleukin	interleukin-2	90 Eur
Roche	Cancer	cytokines	Proleukin	interleukin-2	92/1 Eur
J & J	Cancer	cytokines		interleukin-2	-
Schering Plough	Cancer	cytokines		interleukin-4	95 Wrld
Ares-Serono	Cancer	cytokines		interleukin-6	96 US+Eur
Immunex	Cancer	cytokines	PIXY-321(Pixykine)	GM-CSF/IL-3	US
Upjohn	Cancer	interferon inducer		bropirimine	95 US+Jap
Kyowa Hakko	Cancer	DT diaphorase inh		E09	98+ Eur
Roche	Cancer	vit A derivative	Vesanoid	tretinoin	94+ Wrld
Genentech	Cancer	monoclonal antib.		MAb HER-2	97+ Wrld
Wellcome	Cancer	monoclonal antib.		Campath-1H	? US+Eur
Glaxo	Cancer	drug resistance		GF 120918	98+
Warner Lambert	Cardiovasc	lipid lowering		gemfibrozil	93 Jap
Sandoz	Cardiov	lipid lowering	Lescol	fluvastatin	94-7 Wrld
Warner Lambert	Cardiovasc	lipid lowering		CI-981	95+ Wrld
Takeda	Cardiovasc	lipid lowering		BAY w6228	98+ Jap
Solvay Pharma	Anti-depressant	5-HT uptake inh.	Luvox	fluvoxamine	94 US
Upjohn	Anti-depressant/OCD	5-HT uptake inh.		fluvoxamine	94 US
Pfizer	Anti-depressant	5-HT uptake inh.	Zoloft/Lustral	sertraline	90-2 US+Eur
SmithKline Bchman	Anti-depressant	5-HT uptake inh.	Seroxat	paroxetine	91-3 Wrld-scan
Solvay Pharma	Anti-depressant	5-HT uptake inh.		clovoxamine	95+ Eur
Pharmacia FICE	Anti-depressant	5-HT uptake inh.		reboxetine	95 Wrld
Synthelabo	Anti-depressant	5-HT uptake inh.		litoxetine	? Eur
American Home	Anti-depressant	NE/5-HT uptake inh	Effexor	venlafaxine	94 US+Eur
Knoll/BASF	Anti-depressant	NE/5-HT uptake inh.		nafenodone	97 Eur
Akzo Pharma	Anti-depressant	NE uptake inh.		setiptiline(Org 4428)	97+ Eur+US
Astra	Anti-depressant	5-HT/NA uptake inhib		milnacipran	96
Roche	Anti-depressant	MAO-A inhibitor	Aurorix	moclobemide	90-7 Wrld
Synthelabo	Anti-depressant	MAO-A inhibitor	MD-370503	befloxatone	? Eur
Bristol Myers Sqb	Anti-depressant	5-HT2 antag.	Serzone	nefazodone	94 US+Eur
Bayer	Anti-depressant	5-HT1A part ag.		ipsapirone	94 Wrld
Sumitomo	Anti-depressant	5-HT1A part ag.	Sediel	tandospirone	95 Jap
Akzo Pharma	Anti-depressant	alpha-2 antag.		mianserin	95 US
Akzo Pharma	Anti-depressant	alpha-2 antag.	Remergon	mirtazapine(Org 3770)	93-5 Wrld
J & J	Anti-psychotic	dopamine antag.	Impromen	bromoperidol	92 US
Akzo Pharma	Anti-psychotic	dopamine antag.		Org 10490	98 Eur+US
J & J	Anti-psychotic	D2+5-HT2 antag.	Risperdal	risperidone	93-6 Wrld
Pharmacia	Anti-psychotic	D2+5-HT2 antag.		amperozide	96 Eur
Akzo Pharma	Anti-psychotic	D2+5-HT2 antag.		Org 5222	97 Wrld
Pfizer	Anti-psychotic	D2+5-HT2 antag.		CP-88059	95+ Wrld
Hoechst	Anti-psychotic	D2+5-HT2 antag.		HP873	98+ US
Fujisawa	Anti-psychotic		Nipolet	zotepine	90 Germ+Eur
Zeneca	Anti-psychotic		Seroquel	ICI 204 636	97/8 Wrld
Lilly, Eli	Anti-psychotic			olanzapine	96/7 Wrld
Lilly, Eli	Anti-psychotic			zatosetron	97/8 Wrld
Ciba	Anti-epileptic		Trileptal	oxcarbazepine	96 US
Warner Lambert	Anti-epileptic		Neurontin	gabapentin	94-3 Wrld
Wellcome	Anti-epileptic	glutamate release inh	Lamictal	lamotrigine	90-3 Wrld
Marion M Dow	Anti-epileptic		Sabril	vigabatrin	95 US
Fisons	Anti-epileptic	NMDA antagonist		remacemide	98 Eur
Roche	Dementia	cholinergic		aniracetam	93-7 Eur
Forest Labs	Dementia	cholinergic	Synapton	physostigmine	96 US
Hoechst	Dementia	cholinergic	Mentane	velnacrine	94 Wrld
Warner Lambert	Dementia	cholinergic	Cognex	tacrine	93 US+Eur
Sumitomo	Dementia	cholinergic		SM-10888	95 Jap
Takeda	Dementia	cholinesterase inh		TAK-147	98+ Jap
Eisai	Dementia	cholinergic		E 2020	96+ Jap
Sigma Tau	Dementia	cerebral metab.	Alcar	acetyl-carnitine	96+ US
SmithKline Bchm	Dementia	cerebral metab.	Alcar	acetyl-carnitine	95 US
Dainippon	Dementia	cerebral metab.	RGH-2202	posatirelin	98 Jap
Daiichi	Dementia	cerebral metab.	DM-9384	nefiracetam	96 Jap
Chugai	Dementia	cerebral vasodilator	Antevas	nicaraven	92 Jap
Chugai	Dementia			nicorandil	95 Jap
Yamanouchi	Dementia			indeloxazine	96+ Germ
Du Pont Merck (iv)	Dementia		DUP-996	linopirdine	98 US
Roche	Dementia	MAO-B inh.	lazabemide	Ro-19-6327	98 Wrld
Hoechst	Dementia	xanthine		propentoxyfylline	96 Eur
Hoechst	Dementia (MID)	xanthine	(Trental)	pentoxifylline	93 Eur
Bayer	Dementia	Ca antag.	Nimotop	nimodipine	90-4 US+eur
Searle/Monsanto	Dementia	NMDA antag	Glycan	milacemide	96-97US+Jap
Hoechst	Dementia	ACTH analogue	HOE-427	ebiratide	98 Wrld
Schering AG	Dementia	beta carboline		gedocarnil	99/00 Eur+US
Bristol Myers Sqb	Dementia	ACE inhibitor		ceranapril	97 Wrld
Ono	Dementia	PPCE		ONO 1603	95 Jap
Tanabe	Dementia	thyrotropin rel horm anal		TA-0910	94 Jap
Takeda	Dementia			TRH-SR	98+ Jap
B Ingelheim	Alzheimers	M1 antagonist		WAL2014	98+ Wrld
Yamanouchi	Dementia	M1 rec stimulator		YM 796	98+ Jap
B Ingelheim	Dementia	A1 antagonist		KFM 19	98+ Wrld
Bayer	Dementia	Cholinesterase inhib		metrofinate	98 Wrld
Sandoz	Dementia	-		ENA 713	98+ Wrld
Glaxo	Memory	5-HT3 antag.		ondansetron	97 Wrld
Lilly, Eli	Memory	5-HT3 antag		zatosetron	97 Wrld
Glaxo	Acid disorders	Bi/H2 antagonist		ranitidine bismuth	95/96Wrld
Abbott	Acid disorders	proton pump inh		lansoprazole	92-94 Wrld
Takeda	Acid disorders	proton pump inh	Takepron/Ogast	lansoprazole	92-94Jap
Eisai	Acid disorders	proton pump inh		E 3810	94-95Jap
Lilly, Eli	Acid disorders	proton pump inh		E 3810	97+ US
Glaxo	Emesis	5-HT3 antag.	Zofran	ondansetron	90-91Eur+US
SmithKline Bchm	Emesis	5-HT3 antag.	Kytril	granisetron	91-94Wrld
Sandoz	Emesis	5-HT3 antag.	Navoban	tropisetron	93-7 Wrld
Yamanouchi	Emesis	5-HT3 antag.		YM 060	96 Jap
Glaxo	emesis	5-HT3 antag.		GR 87442N	97 Wrld
Synthelabo	BPH	alpha blocker		alfuzosin	95/6 Jap
Yamanouchi	BPH	alpha blocker		amsulosin	US+Eur
B Ingelheim	BPH	alpha blocker		tamsulosine	Eur
Merck	BPH	androgen inh.	Proscar	finasteride	92-7 Wrld
Yamanouchi	BPH	androgen inh.	Proscar	finasteride	96/7 Jap
SmithKline Bchm	BPH	androgen inh.	SK&F105657	epristeride	96-97Wrld
Servier	Obesity	5-HT uptake inh.		dexfenfluramine	93 US
Lilly, Eli	Obesity	5-HT uptake inh.	Lovan	fluoxetine	93/4 Wrld
Pfizer	Obesity	5-HT uptake inh.		sertraline	95 US
B Ingelheim	Obesity	beta 3 agonist		ULTG307	98+ Wrld
Roche	Obesity	lipase inh.	Orlistat	orlipastat	97+ Wrld
American Home	Osteoporosis	HRT	Premarin MPA	oest-progestin comb	93 US
Ciba	Osteoporosis	HRT	Estracomb	oest comb.	93 Wrld
Warner Lambert	Osteoporosis	HRT		CI-376	94/5 US
Schering AG	Osteoporosis		Climiara	estradiol patch	95 Eur+US
Akzo Pharma	Osteoporosis	synthetic steroid	Livial	tibolone	95-6 Wrld
Rhône P Rorer	Osteoporosis	calcitonin		calcitonin(nasal)	94 US
Sandoz	Osteoporosis	calcitonin	Miacalcin	calcitonin (i nasal)	94/5 US
Merck	Osteoporosis	bisphosphonate	Fosamax	alendronate	95-8 US+Eur
Lilly, Eli	Osteoporosis	bisphosphonate		raloxifene	97+ US
Sterling	Osteoporosis	bisphosphonate		tiludronate	96-98US
Yamanouchi	Osteoporosis	bisphosphonate		YM 175(inj/oral)	97+ Jap
Takeda	Osteoporosis	bisphosphonate	NE-58095	risedronate	98+ Jap
Astra	Asthma	broncho/beta-2	Bric. Turbuhaler	terbutaline	88-95Wrld-US-Jap
Ciba	Asthma	broncho/beta-2	Foradil	formoterol	90-96Wrld
Astra	Asthma	broncho/beta-2		bambuterol(oral)	95+ US
Glaxo	Asthma	broncho/beta-2	Serevent	salmeterol	90-4 Wrld
Glaxo	Asthma	broncho/beta-2		GR 114297	98+ Wrld
Yamanouchi	Asthma	broncho/K chan		YM-934	98+ Jap
Astra	Asthma	steroid	Pulml.-Turbuhaler	budesonide	95-6 Wrld
Glaxo	Asthma	steroid	Flixotide	fluticasone	93-7 Eur
Astra	Asthma	steroid		D5522	98+ wrld
Fisons	Asthma	other Anti-inflam.	Tilade	nedocromil	88-91wrld
Fujisawa	Asthma	other Anti-inflam.	Astock	quinotast	95 Jap
Abbott	Asthma	5 lipoxygenase inh.		zileuton (AA-861)	95 Wrld
Zeneca	Asthma	5 lipoxygenase inh.		D-2138 (oral od)	? Wrld
Merck	Asthma	leukotriene antag.		MK-571	96+ US
Rhône P Rorer	Asthma	leukotriene antag.		RP 12525, RP?	97 Wrld
Yamanouchi	Asthma	PAF antagonist		YM-264	98+ Jap
Yoshitomi	Asthma	PAF antagonist		Y-24180	97+ Jap
Takeda	Asthma	TXA2 syn. antag.		AA 2214	95 Jap
Shionogi	Asthma	TXA2 syn. inh.		S-1452	95/6 Jap
Sankyo	Asthma	TXA2 syn. inh.		CS 518	96+ Jap
Daiichi	Asthma	TXA2 syn. inh.	DU-1904	nafagrel	98+ Jap
Kissei	Asthma	TXA2 antag./syn. inh.		KD1-792	97+ Jap
Nova Pharm	Asthma	bradykinin antag	n/a	n/a	96 Wrld
Hoechst	Asthma	bradykinin antag.	Hoe 140	icatibant	98+ Wrld
Fujisawa	Asthma	neurokinin antag	n/a	FK 688	97+ Jap
SmithKline Bchm	Vaccines	hepatitis B	Engerix-B	n/a	93 Jap
Medeva	Vaccines	hepatitis B	Hepagene 3	n/a	95/6 Eur
SmithKline Bchm	Vaccines	hepatitis A	Havrix	n/a	92-4 Eur
SmithKline Bchm	Vaccines	hepatitis A&B	n/a	n/a	97+ Wrld
Inst. Merieux	Vaccines	hepatitis non A/B	n/a	n/a	95 Wrld
SmithKline Bchm	Vaccines	influenza	n/a	n/a	97 Wrld
Chiron	Vaccines	herpes	n/a	n/a	95 Wrld
American Home	Vaccines	Aids	VaxSyn	n/a	93/95Wrld
Chiron	Vaccines	Aids	n/a	n/a	95 Wrld
Ciba	Vaccines	Aids	n/a	n/a	96/7 Wrld

The details above were supplied by Lehman Brothers' pharmaceutical research team which is among the leaders in the analysis of trends in the world healthcare industry. The team, composed of 13 healthcare specialists based in London, New York and Tokyo, regularly provides updates on products under development. More details available from Lehman Brothers in London on 071 260 2266.

■ THERAPEUTIC CATEGORIES

Research moves to sharper focus

As growth of the world's pharmaceuticals market continues to decelerate, so research and development managers are being forced to be more focused in the way they direct their companies R&D efforts.

"I think R&D spending will slow down," says Dr Roy Vagelos, chairman and chief executive of Merck. "Over the last 15 years, R&D has grown at about 14 per cent a year. I'd love that to continue, but it's no longer an option."

Most groups are responding to the new environment by reducing the number of therapeutic categories they explore. Admittedly, a few, giant groups, can continue to cover most areas. Dr Edward Scolnick, president of Merck Research Laboratories, says: "You can do research in most things in most therapeutic areas. It doesn't cost that much."

Other companies, without the benefit of an R&D budget of more than $1bn a year, and 1,800 people working in discovery, are being forced to concentrate their efforts.

"You have to be at the leading edge of the areas you're researching and you have to be focused," says Mr Lodewijk de Vink, president and chief operating officer of Warner-Lambert.

"It'll be like the biotechnology industry. You'll soon be talking about burn-out rate for those pharmaceuticals companies still looking at all areas."

Choosing which therapeutic areas to investigate is far from easy – "the hardest decision you have to make is which areas to explore," says Dr William Scott, senior vice-president exploratory drug discovery research at Bristol-Myers Squibb. "It's like a kid going into a candy store with a credit card. You can kill yourself. You have to be very focused."

Many R&D directors continue to duck the difficult decisions. Although they claim they are more focused than before, the areas they continue to explore cover most human diseases. An R&D director whose researchers are looking at inflammatory diseases can cover diseases as diverse as asthma, rheumatoid arthritis, and inflammatory bowel syndrome.

When choosing which areas to cover, there are a large number of criteria adopted by companies. The most important are probably medical need and biological science, according to Dr Scolnick – "biologically you have to understand the basic physiology – what the disease mechanisms are. We find projects with the right combination of scientific understanding

Research directors face hard choices over which areas to investigate

and medical need and then we set to work."

Dr Takao Tanakaya, executive director drug discovery division at Fujisawa, agrees: "You have to understand the basic pathology of the disease. Although Alzheimer's looks interesting because there's a huge potential market, we've steered clear of dementia because we don't understand what's going on. That means it's difficult to develop anything really innovative."

A quarter of the world's top 50 medicines were originated in the UK

Some companies also try to match unmet needs with the their expertise. At Schering-Plough, management will only work in areas that match the company's strengths, where the group has sufficient critical mass to make a difference, according to Dr Robert Spiegel, senior vice-president clinical research.

The demand for new treatments for diseases in the elderly, such as osteoporosis, and Alzheimer's has attracted many companies.

Dr Teruhisa Noguchi, executive vice-president for R&D at Yamanouchi, explains: "We've decided to concentrate on cardiovascular, gastro-intestinal and central nervous system diseases, as well as endocrinology, diabetes and bone disorders. They're all linked to the ageing population which is a real problem in Japan."

But there are dangers in focusing only on untreated and unexplored areas. Some groups see the need to balance the risks between different therapeutic categories.

Dr Spiegel at Schering-Plough explains: "There are some discovery areas where we are quite comfortable that if we invest the money and have the patience, products will come out.

"But there are others that are high risk areas that are scientifically exciting and could be of great potential yield, if you hit it right."

"The problem is that the new areas are really difficult," says Dr Spiegel. "In brand new fields, the regulatory and clinical environments are unknown.

"Take Alzheimer's: until Parke Davis had Cognex approved, nobody knew what sort of efficacy the FDA wanted. There had never been a drug approved in that area before. You have to have a balance of risk."

A number of companies have cut the number of therapeutic areas in a meaningful way. SmithKline Beecham's exit from gastro-intestinal disease more than 12 months ago – it was an area that virtually created its predecessor SmithKline French – was probably the most dramatic.

However, Wellcome has also moved out of tropical diseases, and Dr Trevor Jones, director of research, development and medical, says the group will stop developing new anaesthetics once it has completed its present generation of products.

Dr Pierre Simon, R&D director at Elf Sanofi, explains his company's decision to concentrate on only three areas. "Seven years ago, Sanofi was present in all areas of research. I told the chairman it was stupid – you can't do all that effectively because development is becoming more and more sophisticated and expensive. Instead, we decided to concentrate on just three areas."

Dr Leon Rosenberg, president, Bristol-Myers Squibb Pharmaceutical Research Institute, says: "We'll have to cut some areas over the next few years. We won't scale back on cardiovascular or oncology, and we have a very major position in dermatology.

"We'll also stake our future on immunological areas, but in central nervous system diseases and diagnostics we cannot lead. Now that there's a bright light shining down on everything we do, we have to concentrate on those areas where we are leaders and have greatest strengths."

Once the therapeutic areas have been chosen, the R&D directors next difficulty is to decide which of the many compounds competing for limited developed resources should be selected.

"For the last while, we have only pursued those new therapies that will produce a clear medical benefit. We will only develop those with a distinct advantage," says Dr Paul Herrling, head of research at Sandoz.

"There's much more scrutiny than there used to be about the quality of the drugs in development," agrees Dr Robert Spiegel, senior vice president clinical research at Schering-Plough. "You have to look at what the market will bear for a product which is only a minor improvement."

"The medicines have to add value, otherwise we're not prepared to spend time and money on them," says Sir Richard Sykes, chief executive of Glaxo.

Dr Scolnick agrees: "You have to have uniqueness in discovery, otherwise you end up selling generic drugs."

Dr Simon adds that he recently cut some beta-blockers and H2-antagonists from his pipeline even though they were safe and effective – "they made no sense because they were little better than existing therapies," he says.

Similarly, Rhône-Poulenc Rorer last year cut a safe and effective 5HT-3 antagonist similar to Glaxo's highly successful Zofran, because it was no better than existing compounds, according to Mr Robert Cawthorn, chief executive.

Some groups abandon even promising and innovative projects, however. Dr Simon at Elf Sanofi explains: "When you are using biochemical screening you come up with interesting compounds that do not fit exactly in the areas where you want to work.

"We came up with a good asthma drug, but we had no intention of getting into asthma. We want to license it out. The problem is one of timing. If you talk to early, you haven't much to say. If you're too late you lose time. You have to have good clinical trials to show it's good and then sell out quickly."

Most R&D directors agree it is far easier to develop good quality drugs than poor ones. Dr Masaji Ohno, managing director of R&D at Eisai, agrees: "Our chairman, Mr

There is higher scrutiny today over the quality of drugs in development

Yuji Naito, asks us to find compounds that are so good they develop themselves."

At Sanofi, Dr Simon adds: "You have to set high standards to get compounds into development. We look at strength, oral activity, duration of action, the toxicology and genotoxicity.

"We also make sure the molecule can be metabolised in man. The drug has to clear the bar, even if it's set high."

Production costs are also an important issue, according to Dr Herrling. "You have to look at how complicated the molecule is and how many steps it takes to synthesise. The cost and complexity of manufacture is becoming much more important," he says.

Dr Stephen Carter, senior vice-president worldwide clinical research and development at Bristol-Myers Squibb agrees: "If it's going to takes 15 chemical steps to produce a compound, I might need 20 chemists full-time working for a year to generate enough for a clinical trial. If that's the case, I might not put it into development."

The potential market of a drug is also clearly important. Dr Noguchi at Yamanouchi says his company has set a target of minimum annual sales of Y2bn – about $200m – for drugs to move into development.

One consequence of the new cost-conscious environment is that decisions about the future of molecules are made much earlier than before.

"Just recently we discontinued a couple of compounds which in earlier times we would have continued to see what happened to them. Today, we just don't have the luxury of doing that," says Dr Spiegel at Schering-Plough.

However, although most companies pay lip-service to the over-riding drive towards innovation, most R&D directors admit they need to balance their portfolios for risk. In Japan, these low-risk, low-reward, compounds are called survival drugs, according to Dr Masaji Ohno, managing director of R&D at Eisai.

"Let's be honest about this," agrees Dr Carter at Bristol-Myers Squibb. "If you just go for high-risk, high-reward blockbusters, you're just going for home runs. That's not necessarily good for business.

"You have to have singles and doubles to support the franchises. You need to balance across the franchises and across the risk. A $100m product in an old franchise is more valuable than a $150m product in a new area."

Few companies admit setting out to create me-too drugs. However, Dr Spiegel admits that when you set out to find something exciting you sometimes only come up with a drug offering marginal improvements.

An important area little stressed by R&D directors publicly is that of line extensions.

"We call the process evergreening," says Dr John Niblack, president Pfizer central research. Dr Carter at Bristol-Myers Squibb agrees: "Line extensions help quality of life and generate increased exclusivity for the company.

"Besides, developing line extensions is easier than developing new compounds because the safety is already proven – you just have to show efficacy. We don't have to spend a lot of money on this, but it's worthwhile."

Paul Abrahams

■ BRINGING DRUGS TO MARKET

Speed is imperative

Cutting the time it takes to bring a new molecule to market remains one of the industry's most important priorities, writes Paul Abrahams

It is imperative to speed products to market, says Dr Stephen Carter, senior vice president of worldwide clinical research and development – "you're dealing with a finite patent life during which you can market the drug exclusively. That's the period during which you can gain a return on your investment.

"Even if it costs more 'up front,' saving time can be worth hundreds of millions of dollars."

The need to accelerate drug development has become even more acute over the last 12 months, according to Dr Edward Scolnick, president of Merck Research Laboratories.

"Cost containment and therapeutic substitution has shortened effective patent life," he explains.

"Look at Pravachol and Mevacor [two cholesterol drugs] – they're competing on price. Although its patents are still valid, they've lost their effective patent life. When Bristol-Myers Squibb's Capoten comes off patent, we expect the healthcare companies won't be willing to pay the difference for our competitor product Vasotec, even though they won't be prescribing the best medicine. We'll lose our effective patent."

The difficulty is that although the drugs groups want to bring products to market as quickly as possible, the regulatory hurdles facing them are increasing all the time. The regulatory process is becoming increasingly complex and demanding, says Dr Carter.

"Just take the fact that you now have to do trials using active control compounds so you can compare the new molecule against the old ones.

"Now you not only have to show that the drugs work, you have to show they work better than the existing therapies. That often means large trials involving large numbers of patients. And the fact that regulatory authorities are asking for clinical end-points, rather than just surrogate markers. Add on to that the requirements for health economics data. It's becoming really expensive and time-consuming," he laments.

Dr Carter admits that one counter-trend is the US Food and Drug Administration's willingness to accelerate approval for life-threatening diseases such as Aids when there's no available therapy. But this is an exception, he argues.

Another problem is co-ordinating development on a worldwide basis. The costs of development are so high that it is no longer possible to achieve a reasonable return from just the European, or Japanese, or US market.

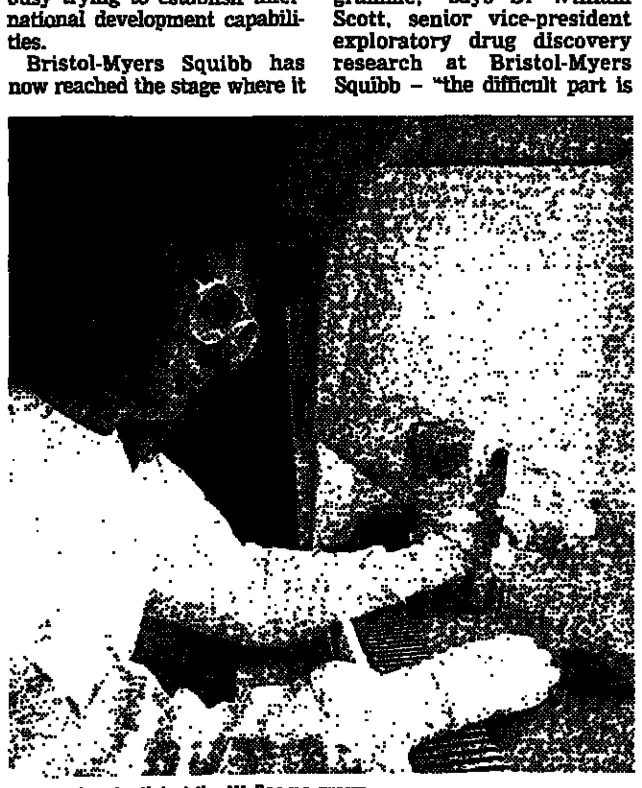
Rhône-Poulenc Rorer has taken this on board. It is throwing all its resources at the international development of Taxotere, its new cancer compound.

"We will be filing the new drug applications in north America, Europe and Japan within three months of each other. We've never done that before," says Mr Robert Cawthorn, chief executive.

Dr Trevor Jones, Wellcome's director of research, development and medical, explains: "Five years ago, Japan wasn't even on the agenda for our company. Now it's a central part of our thinking and we've 65 clinical scientists working on phase III trials."

Similarly, some Japanese groups, such as Fujisawa, are busy trying to establish international development capabilities.

Bristol-Myers Squibb has now reached the stage where it



Research scientist at the Wellcome group

prepares one core dossier for Europe and the US.

"A long time ago we used to file a new drug application in the US, and then look at Europe.

"We know what's required for the individual markets, but it's far more efficient with a core dossier," says Dr Carter.

When Bristol-Myers Squibb prepares assays for the European and US regulatory authorities, it conducts them at Japanese standards, even though the drug may never be developed for that market - "if we do decide to take the product to Japan, it can save us 18 months," he says.

One of the most important elements in achieving speed to market is ensuring the compounds picked for development are good ones.

"When the benefits of a drug are incremental rather than dramatic, then approval becomes a lot tougher. The major breakthroughs are much quicker," says Dr Carter.

Once the compounds have been chosen, the R&D director is then faced with the problem of allocating scarce resources to competing projects.

"You have to prioritise. Otherwise you're dead," says Dr Carter. "Dollars spent on useless compound X, means fewer dollars spent on potential blockbuster Y."

Most drugs groups have been developing far fewer compounds than in the past. Bristol-Myers Squibb reckons it has cut the number of compounds in the pipeline by a third in recent years. At Upjohn, the number of compounds being developed has been cut from 74 three years ago to 34, according to Dr John McCall, executive director of discovery research.

Cutting drugs in development is not easy, however. "It's really easy to start a programme," says Dr William Scott, senior vice-president exploratory drug discovery research at Bristol-Myers Squibb – "the difficult part is knowing when to kill it. You have to set stringent go-no-go decisions. And you have to make those decisions as early as possible. You can save a lot of time and money that way. You have to be tough. You want to add to the portfolio as much as possible, making it as rich as possible. So you have to have strict criteria to make sure all the compounds are competitive," he says.

Dr Carter explains: "One of the hardest problems is knowing when to say 'no'. Your teams invest years of their lives. They will come up with all sorts of alternative approaches to save the project.

"They will always ask for one more trial. But you have to be surgical. You have to put the bullet into the brain. Then you turn them on to something else. You have to have a culture that says you personally have not failed, it was the project that failed. Human nature being what it is, they tend not to believe you. And I can't deny that success helps career development."

Once the compounds have been chosen, all resources must be allocated to them. Sir Richard Sykes, Glaxo chief executive, explains: "If you have priority molecules you have to get them to market as quickly as possible. Take our neuraminidase inhibitor [for treating 'flu]. It's important so it gets 100 per cent attention. We will spare no expense bringing that drug through the system."

"Allocating resources and making these judgments is the most important part of my job," says Dr Scolnick. "On the top-priority drugs, nothing should rate-limit the process. When we were developing Mevacor [a cholesterol-lowering drug and fourth-biggest selling medicine in 1992] there were concerns about its safety. The drug was in limbo. So we threw resources at it. Half of the dogs we had were allocated to testing Mevacor's safety – you can't do that with more than two drugs."

One rate-limiting problem can be manufacture – "traditionally, you'd make, say, 5kg of a drug for a trial," says Dr Carter at Bristol-Myers Squibb. "And if the trial looked good you'd make another 5kg. For a potential blockbuster, we'd make it all at the start. In the past, if you didn't do that, you'd save money, but by hedging your bets, it might take two years longer to develop the compound. You have to plan for success rather than failure."

Drawing up a design for the clinical trials and then sticking to it is also important, according to Dr Robert Spiegel, senior vice-president, clinical research at Schering-Plough.

"The major improvement comes from having an agreed aim when you start the process, and then – it's going to sound like a *cliché* – doing it right first time. You have to make sure everyone agrees what you're trying to do and then not make too many changes so you can avoid being forced to go back to scratch and start again," he says.

One technique used by European and US groups – though not Japanese ones – is parallel development. Dr Spiegel explains: "It depends on the product. Either you can wait until you've completed the dose-ranging study and then start the pivotal phase three study, or you can start the pivotal study early, using three or four doses. That takes more resources, but it can be really effective in compressing and telescoping the process.

"Although we might have accrued between 50 and 100 per cent more patients than we might have done normally, and even taken a little longer over the pivotal trial, we could shave two or even three years off waiting for the results of the first dose-ranging trial."

However, not all are convinced of the need to be first. Dr Roy Vagelos, chairman and chief executive of Merck, says: "It's nice to be first, but it's best to be best. Our ace-inhibitor Vasotec overtook Capoten [Bristol-Myers Squibb's drug] because it's a better drug. There's nothing better out there."

Clinical trials: thorough preparation can cut costs: see page 7

The European drug industry – a suitable case for treatment?

Disappointment over policy document

Peter O'Donnell examines whether the European Union is helping European drug companies

Should the European Union be helping the European drug industry – and if so, how?

This question will echo around European capitals over the coming months, provoked by a policy document finalised in early March by the European Commission. But on the basis of the initial responses to the Commission's paper, the echoes may be a little muted.

For a start, 1994 seems rather late in the day to be addressing such a fundamental question. Over more than three decades, the attention of legislators in Brussels and Strasbourg has focused repeatedly on different aspects of medicines – such as marketing authorisations, patent extension, drug promotion, or cancer research.

Now, all of a sudden, a broad industrial policy is needed, says the Commission, since the framework within which pharmaceutical companies operate "has been profoundly shaken," by rising research and development costs, the emergence of new technologies, and the international trend towards mergers and restructuring.

Secondly, the recommendations the Commission is making are very finely nuanced. From the cautious title – a "communication on the outlines of an industrial policy" – through to the hesitant conclusions, the Commission makes so many careful genuflections in so many different directions that the document provides little clear lead for any kind of action.

The discussion of policy skates over a wide range of issues: industry performance, public health policy and social security spending, research funding, national sovereignty and subsidiarity, competitiveness and competition.

But the Commission fails to offer any effective resolution of the tensions it alludes to, notably between cost-containment and research funding: it goes no further than the observation that "the legitimate concern to limit public expenditure must not be allowed to jeopardise the future of pharmaceutical research in Europe."

And most of what it prescribes is little more than anodyne "intensification of dialogue with the member-states" on a range of uninspiring administrative matters such as consolidation of existing legislation, establishment of the new European Medicines Agency, and promotion of research co-ordination.

Not surprisingly, European drug companies have not been dancing in the streets to celebrate a new dawn for high-technology medicines. Industry trade associations and senior company executives who have been closely involved in the evolution of this policy outline are muttering diplomatically about the need to study the document closely before judging it, or they point politely to some of the positive statements that the Commission has incorporated about the value of the industry to Europe's economy and its citizens' health.

"It may prove to be a useful vehicle for a dialogue to develop an industrial policy," conceded Chris Dalton of Zeneca. There is no disguising the intense disappointment felt throughout the research-based industry, however.

Privately, drug company managers admit that the policy document contains much less than they had hoped for – "this is a wasted opportunity," one remarked sadly after leafing through the document.

Others voice the fear that "this is unlikely to have any influence or produce any change." And some talk defiantly of the policy outline "needing a lot more work on it." The US companies in Europe are already writing to the Commission to express their dissatisfaction.

The disappointment is all the more acute because the European drug industry felt until early 1994 that it was going to come out of the exercise with a much stronger, pro-industry document.

Following a 1991 undertaking from Commissioner Martin Bangemann to back the industry in its battle for better public understanding, a select task force of drug industry experts from Hoechst, Glaxo, Rhône-Poulenc, Merck, Sharp & Dohme and the Swiss firms worked with officials from the Commission's industry affairs services all through 1993, under Bangemann's auspices, to produce a suitable draft.

By early 1994, the document was ready. Its chief importance – certainly for the industry – was that it addressed the most serious concern of research-based drug companies: national controls on pricing and reimbursement. It did not go quite as far as the drug firms wanted, but it clearly recommended economic deregulation, with free pricing for new products, a phasing in of more general price liberalisation, and increased patient co-payment to move drug reimbursement further away from political control.

Drug companies felt that at last they were to be given a weapon to battle against discriminatory and anti-competitive national health policies. The *quid pro quo* for this liberalisation was to be additional stimulation of competition from generics and parallel imported medicines, spurred by more comparative information for doctors and the public on drugs and drug prices.

But shortly before the full Commission was asked to endorse the Bangemann draft, the document was ambushed by a loose coalition of member states, generic drug companies, consumer organisations, and other Commission services who felt that they were being rail-roaded when this text was revealed to them at such an advanced stage of drafting.

"National health services are being asked to adapt to the needs of the drug industry," one outraged official commented. Spearheaded by Social Affairs Commissioner Padraig Flynn (who is also responsible for the EU's embryonic health policy), an intensive intra-Commission horse-trading exercise built new provisions on health, employment and social economy considerations into the policy outline. And it reduced to mere platitudes nearly everything that the industry had tried carefully to build into it.

The resulting dilution satisfies no-one – except the member states, who will now retain almost unconditionally the autonomy they prize in managing their own health care budgets, including drug pricing and reimbursement regimes.

"We weren't looking for handouts – just for deregulation," says Anne Polya of Pfizer, plaintively.

But generic drug companies are not happy either. Greg Perry of the European Generics Association criticises the lack of provision for generic companies to prepare copy products during the last year of a product's patent term, so that copies can be launched immediately on patent expiry – "without this, there is going to be no real increase in generic use," he says.

Even the consumers find the document ultimately unhelpful. Luc Joossens, a Brussels-based consumer spokesman on health affairs, says: "This is now so vague it goes nowhere." He had been hoping for clear commitments to increase incentives for generic prescribing and dispensing, and to provide clear and comprehensive data on drug consumption.

Optimists within the Commission believe the document can still serve a useful purpose by stimulating an informed discussion in the European Parliament and in the Council of Industry Ministers of the Twelve.

"Nothing of real substance has been removed from the policy outline," according to Fernand Sauer of the Commission's pharmaceutical industry unit. He believes that the agenda it sets may lead national governments to take a fresh look at how to make the most of the asset that the drug industry represents for Europe.

While Brussels has no competence to oblige member states to act in this field, a discussion of this type "may also induce them to voluntarily eliminate any distortions of the functioning of the internal market."

The European drug industry felt – until early 1994 – that it was going to come out of the exercise with a much stronger, pro-industry document. Pictured above is a researcher at Rhône-Poulenc Rorer.

Influencing the economics of drug provision

Extracts from the Commission's policy outline

The policy outline says that [the European drug industry's] "ability to finance the research and development of therapeutically innovative medicines, which is a condition for its long term competitiveness, in particular seems to be relatively weak."

□ Pharmaceutical spending represents an important share of social security budgets, whose financing is a subject of concern in most member states at the very moment that they are required to contain public deficits in order to prepare for economic and monetary union.

□ The Commission will see to it that any price control system is operated in such a way that the price setting mechanism is fully transparent and that all forms of discrimination are prevented.

□ It would not be acceptable that national decisions relating to price fixing or admission for reimbursement are influenced by the origin of products and discriminate against products imported from other member states.

□ In the case of medicinal products which are available without prescription – and which are not eligible for reimbursement by social security – it seems that, in some member states, the market is often competitive enough to ensure an affordable price level.

□ In the case of reimbursed medicinal products, it could be interesting to consider other cost containment measures. Such methods would be based on competition between undertakings for those therapeutic categories where several treatments are available.

□ Member-states should not be forced to accept excessive pricing of medicinal products which are not subject to competition, whilst ensuring that the pharmaceutical industry maintains its financial capacity necessary to support its R&D activities.

□ The Court of Justice has on many occasions ruled that parallel imports are legal, irrespective of the factors that determine price differences.

□ Prescribing doctors, if better informed about the cost/efficacy ratio of medicinal products, will tend to prescribe generically.

Peter O'Donnell

What the European Union aims to achieve

According to the Commission's policy outline, the principal areas where the European Union is creating a more favourable environment for the drug industry are:

□ The European Medicines Evaluation Agency – due to come into operation from 1995 in its London base, and providing rapid access to the single market through new product authorisation procedures:

□ A centralised procedure, leading to a single authorisation for the whole of the EU reserved for certain new medicinal products and mandatory for those derived from biotechnology.

□ A decentralised procedure, designed for most medicinal products, based on mutual recognition of national marketing authorisations (with disputes to be settled by binding EU arbitration).

The procedure should provide faster authorisations (300 days instead of several years), and keep down cost increases in authorisation processing.

It should also enhance consumer confidence and improve public health protection.

It will help in due course to reduce the diversity from market to market in information about therapeutic indications, side effects, presentation and package size.

Recent legislation includes:

□ A directive on wholesale distribution of medicines will facilitate and stimulate intra-Community trade whilst ensuring the integrity of transactions, regulating recall of defective products, and deterring counterfeit products.

□ Directives on medicines advertising, labelling and leaflets will improve information for patients, limit waste, and impose requirements on promotion to health professionals.

Patent protection:

□ A new regulation ensures intellectual property protection of up to 15 years from the date of first marketing of a medicine in the EU.

□ A common position was adopted in February on the revised draft directive on legal protection of biotechnological inventions, opening the way for definite adoption during 1994.

A stable and safe environment for new biotechnology projects:

□ Co-operation between the EU and member-states should improve in order to avoid duplication of research and development projects.

□ It will be necessary to bring greater attention to ethical questions associated with certain applications of biotechnology and to enhance public understanding.

□ A review of the regulatory framework in the light of advances in scientific knowledge.

Programmes better suited to pharmaceutical research and development:

□ Encourage multi-disciplinary research and industry/university inter-action.

□ Promote integration and co-operation between pre-normative research and R&D – as in the project Fourth Framework Programme 1994-1998, now in the final stages of discussion.

□ Evolve research priorities in pharmaceutical research, via pilot projects.

Peter O'Donnell

Case study: Schering-Plough Research Institute

A more selective approach

For US pharmaceutical companies, the impending healthcare reforms promise an era of increased cost-containment and pricing controls. Under the weight of such restrictive measures, how will the innovative drugs industry adapt to survive?

According to Dr Robert Spiegel, senior vice-president clinical research at Schering-Plough Research Institute, the market for new drugs will never subside – "we believe that there will always be a market and a very profitable market for drug companies that can develop novel products that satisfy an unmet need in an important therapeutic area," he says.

In 1993, Schering-Plough spent US$578m on research and development, an investment which it expects to increase to over $600m this year.

Despite its continued commitment to R&D funding, Schering-Plough admits that the more cost-driven market has triggered a change of approach.

"There is a new world now that is forcing us even more to adapt our research and development process," says Dr Spiegel.

At Schering-Plough, most of this adaptation has been evolutionary. About three years ago the company set up a Pharmaceutical Economic Unit designed to assess the economic cost and quality of life benefit of potential new drugs at the earliest possible stage.

Evaluation of exactly what Schering-Plough expects to bring to the market when a product is fully developed is now "a prominent part" of its core R&D process, says Dr Spiegel.

Combined with this more selective approach to R&D, is the knowledge that on the way to discovering breakthrough products, drug companies are inevitably exposed to greater risks. This means manufacturers have to be increasingly daring when deciding which compounds to back.

Dr Spiegel says: "If you're only going after Alzheimer's drugs, the winner of that in the pharmaceutical industry will have a nice pot of gold at the end of the process, but there will be a lot more losers along the way."

Willingness to conduct research in more high-risk areas then, is no guarantee of commercial success. As Raul Cesan, president Schering Laboratories suggests: "We all want to develop something that is unique, yet we may end up with something that is a marginal improvement."

Development of compounds that may offer only a slightly better safety profile over products already on the market is a luxury which research-based drug companies can no longer afford.

In certain cases, "that marginal improvement gives to the system exactly what politicians and government officials want. They lower the price because once you have two or three or four of those [products], prices collapse immediately," argues Raul Cesan.

Research at Schering-Plough

Continued on facing page

■ CLINICAL TRIALS

Thorough preparation can cut costs

If the manufacturer of a product can save a year in its development, that could be equivalent to the final year's sales. For a leading compound, that could be $400m, reports Alan Archer

Few industries operate under such stringent regulatory controls as the pharmaceutical industry. The complexity and volume of the regulations indicate a high cost area, one of which is clinical trials which are expensive and time consuming.

The three phases of clinical research are the longest and most costly stages in the development of a new drug. They take an average of four to six years, although depending on the type of drug, they may in an extreme case require 10 years.

A single advance in efficiency can be both commercially and scientifically beneficial. Considerable data is assembled from the trials which is subjected to detailed statistical evaluation and medical interpretation.

Effective information technology (IT) management can be a competitive aid in cutting high costs and helping to streamline the product development and approval process. Companies cannot take short cuts with clinical trials, but with well-planned IT, the risk of errors in documentation and testing can be greatly reduced.

Today, an increasing number of the world's leading pharmaceutical companies are looking to contract research organisations (CROs) to run part or in some cases the whole package of clinical trials. Dr John Mills international vice-president of Besselaar, one of the largest CROs worldwide, said there is a "dramatic increase" in the amount of contracting-out of clinical trials.

"In the past couple of years we have had twice the number of proposals," says Dr Mills. Some companies request part service while others are requesting the full works, he adds.

A measure of how much clinical trials cost is highlighted by Prof. Richard Peto of the clinical trial service unit, Radcliffe Infirmary, Oxford, who is carrying out a significant trial on 20,000 people for the effectiveness of a cholesterol-lowering drug. The trial costing some £20m is being equally sponsored by Roche, Merck and the MRC.

But such large sums have to be viewed in proportion – "what is £20m when the sales of the drug are $1bn per year?" asks Prof. Peto.

The regulatory process for pharmaceuticals is becoming increasingly complex and demanding

According to a spokesman at the US Pharmaceutical Manufacturers' Association, some clinical trials in the US are now costing $35,000 per patient over a six-month period.

There *have* been alternatives to clinical trials. In 1989, the US Congress created the Agency for Health Care Policy and Research (AHCPR) to comb through vast databases of records accumulated by hospitals, insurers, and government health programmes since the late 1980s. These studies are known collectively as "outcomes research."

After spending nearly $200m on this type of research, AHCPR "cannot point to a single case in which its database studies have changed clinical practice," comments Prof Peto.

Many companies in the industry are hoping the International Conference on Harmonisation (ICH) process will save a lot of time and money on clinical trials.

There is a desire by the Japanese regulatory agency to harmonise its requirements with those of Europe and America.

Dr Trevor Jones research and development director at Wellcome says: "Until now, we have had to repeat all of the stability data – storage, shelf life, and so on. From now on, we will only do it one way. Some of it we will do in Japan, though.The difficulty is the clinical side and it is still the case that we have to repeat a lot of clinical work in Japan. We now have 65, mostly clinical-related scientists in Japan to carry out the necessary Phase III trials," he adds.

Dr Jones says Wellcome has reorganised R&D to meet global changes. A new group set up in Wellcome called Euroclin, as a prelude to Worldclin. It has 200 staff spread geographically across Europe.

There is a large group in France with other groups in Italy, and Germany with basic acquisition of data – "this has been done without incentives, such as tax relief but there are three very important advantages: to be in touch with local clinicians; regulators; and local companies," says Dr Jones.

Dr Pierre Simon, research and development director of Sanofi, observes that "you have to set high standards to get compounds into full development. We look at strength, oral activity, duration of action, the toxicology and genotoxicity.

"We also make sure that the molecule is metabolised in man. The drug has to clear the bar, even if its set high," says Dr Simon.

"When you have to organise a trial like we have for the anti-thrombotic, Clopidogrel this is a real challenge," he adds. "We need a two-year study, with 500 centres and 15,000 patients. This is difficult for a young company. So far, we have enrolled 9,000 patients – far faster than we thought and we've saved about six months: that's a huge boost to revenues for a large compound."

Clinical trials in the US can now cost $35,000 per patient over a six-month period

jAnother company that keeps a tight rein on its clinical trials preparation is Fujisawa where Dr Hitoshi Oyasu, managing director research and development division, comments: "We don't like cutting out compounds from our product pipeline, but clinical trials are costly.

"However, we now have 18 NCEs in the cycle – and that is too many.

"We look at the pre-clinical data and if there is no clinical advantages, it gets 'killed.' We 'cut' a promising oral anti-histamine only last year," he adds.

The company believes that the ICH will make a difference to future clinical trials – one day – but progress seems to be difficult at the moment.

Dr Oyasu says: "We are trying to reduce the numbers of clinicians and centres we use for our trials. We want to focus on those investigators who are more reliable and deliver the data on time.

"In the past, some Japanese groups have used the clinical trials as part of their marketing strategy – in some cases there was only one patient per hospital. We want at least eight per hospital."

Dr William Scott, senior vice-president exploratory and drug discovery, Bristol-Myers Squibb, says: "If you can save one year in development, that's equivalent to the final year's sales.

"For a big compound, that could be $400m," comments to Dr Scott. So even if its costs more up front, saving time can be worth hundreds of millions of dollars.

The problem is that the hurdles are getting higher all the time, he adds. The regulatory process is becoming increasingly complex and demanding – "just take the fact that you now have to do trials using active control compounds so you can compare the new molecule against the old ones. And the fact that regulatory authorities are asking for clinical end-points, rather than just surrogate markers.

"Admittedly, one counter trend is in the area of life-threatening diseases when there's no available therapy. There you can get accelerated approval using surrogate markers. But the approval is only conditional. You can give the drug to all that require it."

Dr Scott adds: "BMS did this with DDI – which we gave to 27,000 patients – and with D4T which we gave to 9,600 patients, Taxol was also given accelerated approval."

□ *The writer, Alan Archer, is editor of the FT newsletter, Pharmaceutical Business News.*

Biotechnology companies are carefully choosing research areas which have the highest appeal to potential funders, writes Daniel Green

Our ideas for your investment

It is difficult to trust anyone when trying to assess the promise of biotechnology research and development. The reason lies in the nature of the biotechnology industry, not as a scientific enterprise but as a capital-raising machine.

Biotechnology is usually defined as drug development and manufacture using living organisms rather than inanimate chemicals.

But as almost any biotechnology company executive will eventually concede, biotech R&D in the private sector is as much a means for raising funds as pushing the frontiers of knowledge.

How it is presented therefore, is coloured not only by the objective standards of a peer-review scientific journal, but also by the more old-fashioned need to persuade those with money to hand it over.

It takes at least seven years for a potential drug to go from the laboratory bench to the market. During that period, the company must secure enough capital to pay for salaries, clinical trials, regulatory fees and marketing.

According to Mr Steven Burrill, of San Francisco merchant bank Burrill and Craves, the 1,400 or so companies that make up the US biotechnology industry alone need $5bn a year to survive.

That cash comes from from venture capitalists, money and securities markets and large pharmaceuticals companies seeking smaller partners.

Each has many demands on its cash and management resources, especially now, when healthcare reforms around the world add a new level of uncertainty to the business of researching and developing new drugs.

But there is much that a biotech company can do in R&D management to raise its bargaining power with the suppliers of capital. Foremost, it can choose carefully the areas of research which appeal to investors.

In principle, it wants to research into diseases which:

- have a high profile, so that a typical investor is familiar with at least its name;
- which can be treated by a relatively small number of specialists – biotechnology companies cannot afford to have large sales teams knocking on the doors of the western world's general practitioners.

Mr David Robinson, chief executive officer of San Diego, California, company Ligand Pharmaceuticals, says that his company chose to work in cancer therapy partly there are a relatively small number of treatment centres in the US, so "you only need a sales force of 50";

- which has clear end points to a course of treatment, such as complete recovery, rather than marginal improvement. This makes the results of clinical trials less equivocal, which in turn is likely to shorten both the time taken to complete the trials and the deliberations of regulatory authorities, such as the US Food and Drug Administration.

At Cor Therapeutics of south San Francisco, work is being carried out on a drug called 'Integrilin,' which is used to try to prevent the dangerous complications that arise from a heart treatment called angioplasty.

"The trials are done on a 30-day time frame," says Mr Vaughan Kailian, president and chief executive officer. "[Assessing] Integrilin is relatively easy because of its clear end-points." If the patient is more likely to emerge from the 30 day period without life threatening complications, the use of the drug can be deemed a success;

- which affects not just the elderly – there are powerful economic and ethical reasons for regulatory authorities to speed the approval of treatments that affect children and people of working age.

It is widely recognised that cancer drugs progress relatively rapidly through the approvals process, even in the face of, for example, evidence of severe side effects.

Biotech companies have many ways to raise their bargaining power with the suppliers of capital

Only a handful of illnesses meet these criteria, so it should not be surprising that biotech companies usually work on projects aimed at treating at least one of three conditions: Aids, heart disease and cancer.

The formula is not foolproof against the rigours of scientific research. In the 1980s, several biotech companies began research programmes into septic shock, a condition which meets all four of the above criteria for securing funding.

In financial terms the research programmes were successful. Money poured into the companies involved, and three US biotech operations, Centocor, of Philadelphia, Pennsylvania, Xoma, of Berkeley, California, and Synergen of Boulder, Colorado saw their market capitalisations rise to a combined total of $4.5bn two years ago.

Since then, their potential septic shock drugs have met with serious problems in clinical trials and today the three companies' combined market capitalisation is less than $1bn.

Such setbacks are more than just a jolt for the biotech company concerned and for potential patient beneficiaries of a successful drug.

They are used by the suppliers of biotech capital as evidence that the risks are very high and therefore as a lever to wring concessions out of the companies in return for that capital. The large pharmaceu-

□ Continued on next page.

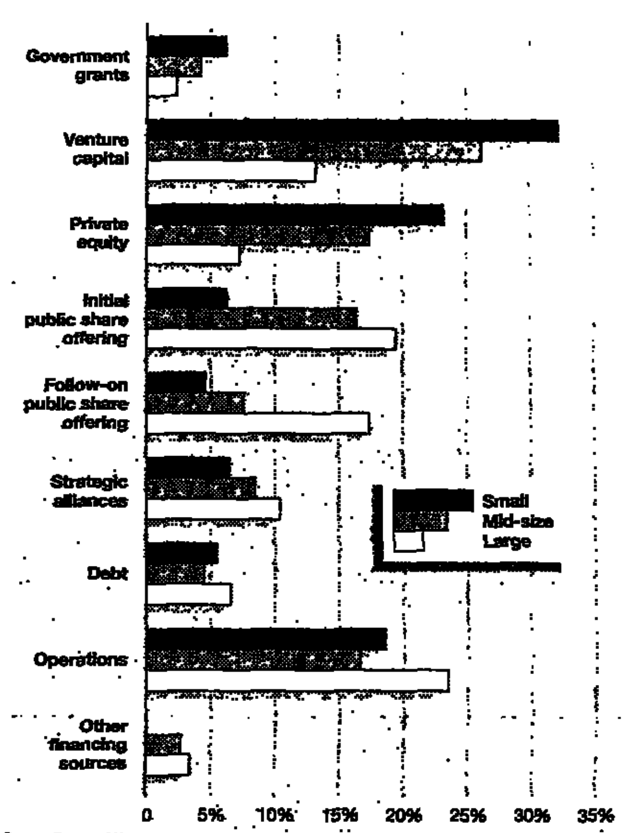
Pay scales in the biotechnology industry

Average compensations for chief executive officers*

Company size	Base salary	Annual bonus	Potential share options value
Small	$161,000	$51,700	$1,530,400
Mid-size	$216,600	$59,000	$1,132,800
Large	$235,800	$67,900	$842,700
Top-tier	$293,300	$117,700	$3,510,100

In the US, 54 per cent of chief executive officers in the biotechnology sector received a cash incentive in 1992, which averaged $73,000; also, 61 per cent received option grants, reported at face value – the number of options times the the exercise price; 21 per cent of CEOs exercised shares in 1992, realising option gains (appreciation) of $1,359,400. The mix of base salary, bonus and potential option value is relatively stable, regardless of the company size. Source: Ernst & Young

Where biotechnology companies get their money from



Source: Ernst and Young

New incentives to form research alliances

Continued from facing page:

covers six main therapeutic areas. These are: anti-infectives; oncology; allergy; dermatology; cardiovascular and the central nervous system. According to Dr Spiegel, the secret of the company's R&D success lies in its balance of discovery areas. It supports both research into "quite comfortable" scientific fields and high risk areas "of great potential yield."

He explains: "There are times when you're in brand new areas where the regulatory environment and clinical development environment is also unknown. But if you're in those areas that have high potential success, it's worth taking that risk, too."

However, incentives to take such risks could soon disappear if the pricing controls proposed under healthcare reform are approved – "the proposal to severely review the ultimate pricing of a drug, even if it's a breakthrough product, gives a disincentive to how much risk money you would put up for those types of activities," warns Dr Spiegel.

In any case he believes that current market forces are taking care of price controls within the drug industry.

In its 1993 annual report published last week, Schering-Plough announced that between 1991 and 1993, it held average US net prescription drug price increases to below the rate of increase in the consumer price index (CPI), and in 1994 expects price rises again to be at or below the increase in CPI.

"Prices have been moderating dramatically," comments Raul Cesan.

While individual companies may be suffering a loss of appetite for R&D risk-taking, the US drug industry as a whole is maintaining its commitment to R&D through teamwork.

Joint ventures and alliances between university research departments, smaller biotechnology companies or established pharmaceutical companies show that by pooling their resources, drug companies can continue the search for innovative products.

In future, Dr Spiegel predicts, "there will be more incentive to form alliances in the research area to spread your bets, and that's certainly a concept that we embrace."

In its annual report, Schering-Plough says that about 25 per cent of its research dollars were targeted for biotechnology.

Another form of alliance has seen US drug companies tap into the market of managed care. Last year, Merck & Co acquired health maintenance organisation Medco Containment Services for $6bn, in a move widely regarded as an attempt to protect market share.

Effectively, the acquisition changed Merck's mission from being a research-based pharmaceutical company to a major player in the healthcare market.

Such redefinition of company business strategy is not anticipated by Schering-Plough. To ensure long-term survival beyond healthcare reform, the company believes continued investment in its R&D pipeline is essential.

Raul Cesan concludes: "You have to find the very successful drugs eventually – otherwise you cannot survive."

Claire Wilkinson

SENIOR FLEXONICS

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday March 23 1994

IN BRIEF

UAP long-term stake earmarked

Mr Edmond Alphandéry, France's economy minister, has said that 10 per cent of Union des Assurances de Paris (UAP), France's biggest insurer, was to be allocated to long-term investors. Page 18

German carmakers and suppliers unite
Germany's biggest vehicle makers and a leading parts supplier are planning to unite in a venture for cost-cutting. Page 18

Renault trucks cut their loss
Renault Véhicules Industriels, the commercial vehicles subsidiary of the French state-owned automotive group, suffered a net loss of FFr1.4bn ($230m), compared with FFr1.62bn. Page 20

Novell transformation
Acquisitions by Novell, the leading supplier of software for personal computer networks, have transformed it into a software powerhouse with annual revenues of nearly $2bn. Page 21

Star changes direction
Star TV, News Corporation's satellite television arm in Asia, is to change its business strategy in an attempt to broaden its appeal. Page 22

'Bold' acquisitions assist Bowater
Bowater, the UK packaging, printing and coated products group, attributed its 44 per cent increase in full-year pre-tax profits to £211.9m ($315m) to its "bold" acquisitions strategy. Page 24

BSG suffers after falling demand
BSG International, the UK vehicle distribution, childcare products, motor and aviation equipment group, blamed a 27 per cent decline in operating profits on falling demand for automotive and aircraft components. Page 25

Avonmore advances abroad
Avonmore Foods, the Irish dairy and meat processor, lifted turnover last year by 35 per cent to more than I£1bn ($1.4bn). Page 27

Sour relations in Italy

Italy's milk producers are strongly resisting a proposal by the European Commission to reduce an increase in their quota just as they are cutting back after years of over-production. Page 28

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Beiersdorf	885	+	25
Continental AG	287	+	4
PWA	226.5	+	8.5
Rheinmetall B	338	+	8.5
Wella Prf	860	+	15
Falls			
Asko	1050	–	40

NEW YORK ($)			
Rises			
Salant	24¾	+	2⅛
Telefonos	63¼	+	4⅜
Falls			
Merck	30⅝	–	1¼
Philip Morris	52¾	–	1¼
Proxima	42¾	–	2⅝
Schering Pgh	57⅝	–	1⅝

New York prices at 12.30pm.

PARIS (FFr)			
Rises			
Ecco	672	+	22
Gaumont(Soc N)	954	+	24
Sligos	605	+	25
Falls			
Essilor Int	731	–	25
Eurafrance	2070	–	92
Imm France	800	–	28

TOKYO (Yen)			
Rises			
Ezaki Glico	1130	+	60
Hitachi Koki	940	+	42
Falls			
Hino Motors	860	–	35
Minebea	691	–	36
Nippon Shinpan	955	–	35
Renown	460	–	20

LONDON (Pence)			
Rises			
Bradford Props	22	+	4
Everest Foods	80	+	13
HSBC (75p shs)	783	+	23
ICI	806	+	23
Mayborn	195	+	11
Scottish Hydro	375	+	14
Scottish Power	395	+	10
Vendome Uts	443	+	13
Falls			
Antofagasta	1513	–	52
BPP Hldgs	208	–	17
Borland	850	–	50
Bowater	453	–	39
Bunzl	173	–	10
Clyde Pet	34	–	2½
Derwent Valley	650	–	30
Enterprise Comp	181¼	–	1¼
Field	267	–	11
Glaxo	662	–	21
Lucas Inds	199	–	10
Motor World	314	–	14
Norcros	178	–	14
Reflex	53	–	5
Slough Estates	252	–	10
Try Group	30	–	3

Alphandéry confirms that non-performing property loans will be floated off

State injection for Crédit Lyonnais

By David Buchan and Alice Rawsthorn in Paris

Mr Edmond Alphandéry, the French economy minister, yesterday confirmed that the government plans to restructure Crédit Lyonnais, the loss-making bank, by injecting capital and floating part of its property loans into a state-controlled shell company.

Details of the rescue package will be announced on Thursday afternoon when Crédit Lyonnais, which has been badly affected by the economic recession after its aggressive expansion in the late 1980s, will disclose a heavy net loss for 1993, estimated by analysts at between FFr2.5bn ($410m) and FFr5bn.

The rescue has been the subject of intense negotiation between the government and Mr Jean Peyrelevade, the French financier appointed chairman of Crédit Lyonnais with a brief to prepare it for privatisation.

The package is expected to include a FFr4bn capital injection and the removal from the banks' balance sheet of FFr25bn-FFr40bn of non-performing property loans which will be guaranteed by the government.

Asked whether this operation, coinciding with French requests for approval for large amounts of state aid to Bull and Air France, might not be too much for the European Commission to swallow, Mr Alphandéry said that in the case of Crédit Lyonnais, "the government will be carrying out its normal role as shareholder".

He said taking property loans off Crédit Lyonnais' balance sheet "is a classic operation" of the kind carried out for "other French and foreign banks", though he added that it would be notified to Brussels.

Mr Alphandéry said he would not take a final decision on the recapitalisation until he had seen the bank's 1993 accounts. The figures will be presented to the board on Thursday.

Still at issue is how long the state will guarantee the property-related loans before reintegrating them into the bank's balance sheet, and the knock-on financial effect of the operation on Crédit Lyonnais's other shareholders, notably Thomson, the state-controlled electronics group.

Ms Sheila Garrard, banking analyst at Lehman Brothers, said: "Crédit Lyonnais has disappointed us so often in the past, but it now has a chance to clean up its balance sheet and start afresh."

Lex, Page 16

Hoechst tempers optimism for chemical makers

By Christopher Parkes in Frankfurt

Hoechst, the German chemicals concern, yesterday reported an "insignificant" rise in operating profits in the first two months of this year, and no change in domestic earnings or sales.

Growth of 5 per cent in turnover at the parent, Hoechst AG, was entirely due to a 9 per cent increase in exports, according to Mr Wolfgang Hilger, the retiring chairman.

Hoechst, the last of Germany's big three chemicals makers to report on progress, was markedly less optimistic than Bayer, which last week confidently predicted an earnings increase this year of up to 20 per cent. BASF said it expected to raise in spite of a sharply higher tax bill.

Mr Hilger restricted his forecasts to the view that the low point of the recession had been passed and the long-awaited light on the horizon was visible. Group orders had increased for the first time in two years, although domestic demand was unchanged.

Mr Jürgen Dormann, finance director, who takes over from Mr Hilger next month, was gloomy on prospects in Germany. He doubted if domestic profits would be enough to pay a dividend. Part of this year's pay-out would have to come from foreign earnings and an expected DM200m ($118m) residual tax rebate.

The group, which announced a DM7 dividend for 1993, down DM2, following a 42 per cent drop in pre-tax earnings on unchanged sales of DM46bn, blamed most of last year's downturn on poor conditions in Europe.

Operating profits in the European Union tumbled to DM289m from DM1bn in 1992. The region, accounting for 60 per cent of output, generated only 20 per cent of operating income. Other regions, apart from Latin America, showed modest increases, while operating profits fell in all business sectors apart from technical and agricultural products.

Chemicals, fibres and plastics suffered from falling volumes and prices, while business was hit by the miserable condition of the European textile and automotive industries, Mr Hilger said. Better results were achieved from raw materials for detergents. Carbon products had shown a real turnround, and the plant protection business outside Europe had improved.

Mr Hilger, who said the company spent or set aside DM1bn last year for restructuring – two thirds within Germany – indicated the process would continue. He gave few details, apart from warning of more job losses. A reduction of 12,000 in the past three years was to be followed by a further 8,000 this year and next.

Total annual personnel costs would be cut by about DM1.5bn.

Observer, Page 15

Wolfgang Hilger (left), retiring chairman, with Jürgen Dormann who will take on the job next month AP

Zantac faces new challenge in US

By Richard Waters in New York

Zantac, Glaxo's ulcer medication which is the biggest selling drug in the US, is facing a new challenge following an application by a generic drug company to produce a low-cost version of the product there.

The latest assault on the dominant position of Zantac, which had sales in the US of $2bn last year and worldwide sales of $3.5bn, comes as Glaxo is battling in the courts to uphold a US patent which has eight years left to run.

Ciba-Geigy, the Swiss pharmaceuticals group, confirmed yesterday that its Geneva Pharmaceuticals subsidiary had filed an application with the US Food and Drug Administration last month to produce a version of Zantac, known as Form 1. This version of the ulcer drug, ranitidine hydrochloride, is thought never have to been produced commercially. Glaxo markets a later version of the drug, known as Form 2.

Geneva hopes to make its anti-ulcer drug available by the end of 1995, when Glaxo's US patent on Form 1 expires. Ciba would not say what it expected to charge for the product, but added: "It'll certainly be cheaper than Zantac."

The two versions of the drug are identical in their effects on patients, according to both Glaxo and Ciba. Form 2, though, is easier to produce, and was adopted by Glaxo as the preferred version in the early 1980s.

The UK company questioned yesterday whether a Form 1 product could be produced commercially, and whether it could be manufactured without some elements of Form 2 Zantac being produced, potentially infringing its patent. Ciba said it could make the drug.

Glaxo also challenged an attempt by Geneva to have its version of the drug approved using a speeded-up approval process applied by the FDA for drugs which were converting from prescription to over-the-counter status. The procedure does not involve time-consuming and expensive trials. Ciba said it expected a quick approval. Geneva had been involved in two precedents in the US of so-called polymorphs – different versions of the same drug – qualifying for rapid approval, it said.

Last summer, Glaxo won a court victory to protect its US patent on Form 2, which expires in 2002.

French TV maker returns to profitability

Thomson Consumer Electronics continues revamp

By Alice Rawsthorn in Paris

Thomson Consumer Electronics (TCE), the French company that is one of the world's largest television manufacturers, last year returned to the black at the operating level after three years of losses.

It made an operating profit of FFr155m ($26.3m) against a FFr335m deficit in 1992.

However, the company, a subsidiary of Thomson, the state-controlled electronics group, remained in the red after restructuring charges and the cost of servicing its heavy debt. It made a net loss of FFr973m, against FFr1.77bn.

Mr Alain Prestat, chairman, said the negative trend had become a positive one, although it would take another 18 months for the group to become profitable at the net level. "This time last year people said we were in a make or break situation," he added. "These results show that we've made it."

TCE, which owns a string of consumer electronics brands in Europe and North America including RCA, Telefunken and Ferguson, has been restructured in the past two years since the arrival as chairman of Mr Prestat, a former civil servant.

Mr Prestat, 41, has cut costs and reorganised TCE's operations.

The number of employees was reduced by 10 per cent to about 49,000 last year. He has also embarked on a redesign of the group's products – hiring Mr Philippe Starck, the French designer, as artistic director.

The group increased sales by 10 per cent to FFr33.48bn in 1993 from FFr30.55bn. It made inroads into Asia and increased its share of the European market.

Mr Prestat hoped to increase sales by another 10 per cent this year. Demand in Europe was still depressed, but conditions in the US and Asia were improving.

TCE is still struggling with heavy borrowings – FFr10.3bn at the end of 1993 compared with FFr10.7bn a year previously. "Of course I'd like to see a lower level of debt, but that's a matter for our shareholder [the French government]," said Mr Prestat.

Barry Riley

Somewhere there's a bull run seeking a china shop

These are tough times for the global investment strategists as the markets seek to re-establish order and coherence after last year's bull run. Take your pick: Morgan Stanley, for instance, which rampaged through Hong Kong so noisily as a raging bull last autumn is now in a seriously bearish mode globally, while on the other hand Goldman Sachs is complaining bitterly that the markets have over-reacted to the Federal Reserve's modest tightening.

In important sections of the global securities market price leadership is shifting from one group of investors to another – from international hedge funds to domestic pension funds, for instance. US mutual funds have introduced a new element of potential volatility. In the process investment yields are taking quantum leaps to levels at which the new investors can hope to attain their objectives.

The damage to securities prices has in some cases been substantial; to take an extreme, the stock market in Turkey has slumped by 45 per cent from its mid-January peak. Yet there is also the intriguing likelihood that new anomalies are being created. UK gilts, for instance, are now providing yields (of up to some 7.6 per cent at the long end) which the Bank of England is apparently no longer willing to offer on new issues, hence the floater launched yesterday.

The great divide is between the static interpretations of global valuations and the more dynamic theories of flows of funds. On the former basis a sharp jump in the yield on, say, long Treasury bonds is most easily explained in terms of a significantly worsening view by investors of the prospects for inflation. However, this makes little sense when the Fed tightening that triggered the move was designed to head off future inflationary pressures.

Cause and effect are more easily related on a flow of funds analysis: the Fed is in the process of shutting off the liquidity pump which inflated securities markets worldwide. The effect of loose monetary policy is normally evident much sooner in financial asset price inflation than in the prices of goods and services generally. A liquidity-driven equity bull market can be punctured more completely than one primarily supported by growth in dividends and earnings.

There is also the intriguing likelihood that new anomalies are being created

Distance makes the heart grow harder: there has been a near-30 per cent tumble in the Hong Kong equity market since the peak at the beginning of the year, while New York's Standard & Poor's 500 Index has only retreated some 3 per cent. The contrast is symptomatic of how last year's flows have begun to reverse: US-based money is being withdrawn, or at least is being parked on the sidelines.

Flows of money do not easily explain the whole confusing picture, however. In Europe the equity and bond markets have moved down more or less together, but in the US almost all the damage has been suffered in bonds. As for Japan, the Nikkei Index is up some 16 per cent so far in 1994 whereas yen bonds have slumped (the 10-year JGB yield is up by 106 basis points to 4.1 per cent over the same 12 weeks). Stick all that into your tactical asset allocation model and watch it crash.

Well, perhaps, your model is extremely sophisticated. It might allow for the fact that the UK stock market is yield-oriented and is thus sensitive to long-term interest rates whereas nobody buys Japanese equities for the income (which is still quite a long way short of 1 per cent). Some valuation models look at the influence of short-term as well as long-term interest rates, however: the puzzle here is that everywhere outside the US short and long rates are moving in different directions. Again, your model will freeze unless you have programmed in some sophisticated time lags.

Japan is the real challenge. Recovery prospects are a matter of faith, but Tokyo is the beneficiary of setbacks elsewhere. Global investors are seriously underweight in Japanese equities and naturally consider filling that gap when they take profits elsewhere, and find there are no better stories around. But as Mr Robin Griffiths, James Capel's technical analyst, says, the views get more bullish the further you go away from Japan. In the chaotic world of global investment there simply has to be a bull market happening *somewhere*.

■ DRUG DEVELOPMENT COSTS

Demand for economic specialists

New drugs must not only be safe to use: producers must prove to buyers that their products are clearly cost-effective, too, reports Daniel Green

Wanted: health economics specialists. Excellent pay and prospects with some of the world's biggest corporations. Perks include travel, rubbing shoulders to top management and a key role in the successful launching of products with potential sales of more than £1bn a year.

This is the message that the world's big pharmaceutical companies are putting out. One of Europe's top companies recently approached Professor Alan Maynard of the Centre for Health Economics at York University in the UK and asked him for the names of five PhDs it could recruit. It did not receive the answer it wanted.

"They are just not out there," says Professor Maynard.

The demand has arisen because the structure of the drugs industry is changing. Where once companies sold to doctors and hospitals, they now sell to governments, insurers and, in the US, corporations from a range of industrial sectors. These are the organisations that actually pay for medicines, and they are beginning to flex their buying power muscles.

For drugs companies, this means that it is no longer enough to show that a drug is safe and works, although this is still required by regulatory bodies such as the Washington-based Food and Drug Administration. Now the task includes demonstrating to the payers that a drug is cost-effective too. The discipline even has a name of its own: 'pharmacoeconomics.'

Nowhere is the importance of this new area clearer than in Australia. Since January 1993, any drug submitted for approval there must be accompanies by not only the results of clinical trials but an economic impact analysis.

That analysis must be based on comparisons with existing treatments. It must cover not only the price of the drug, but the impact on spending on other medical services and the time a patient spends occupying a hospital bed. Sometimes, in the case of for example, elderly patients, social services costs can be included.

The Australian scheme is still in its early days. Much has yet to be finalised especially the question of how to have an objective measure of patient quality of life.

But the effect on drugs companies has already been far-reaching. The economics can be simple if a new product is only a marginal improvement on an existing one. A comparison is made of the cost of the drug and any differences in how long the average patient has to spend in hospital.

Faced with soaring costs, the role of 'pharmacoeconomics' in the drugs industry seems set to increase

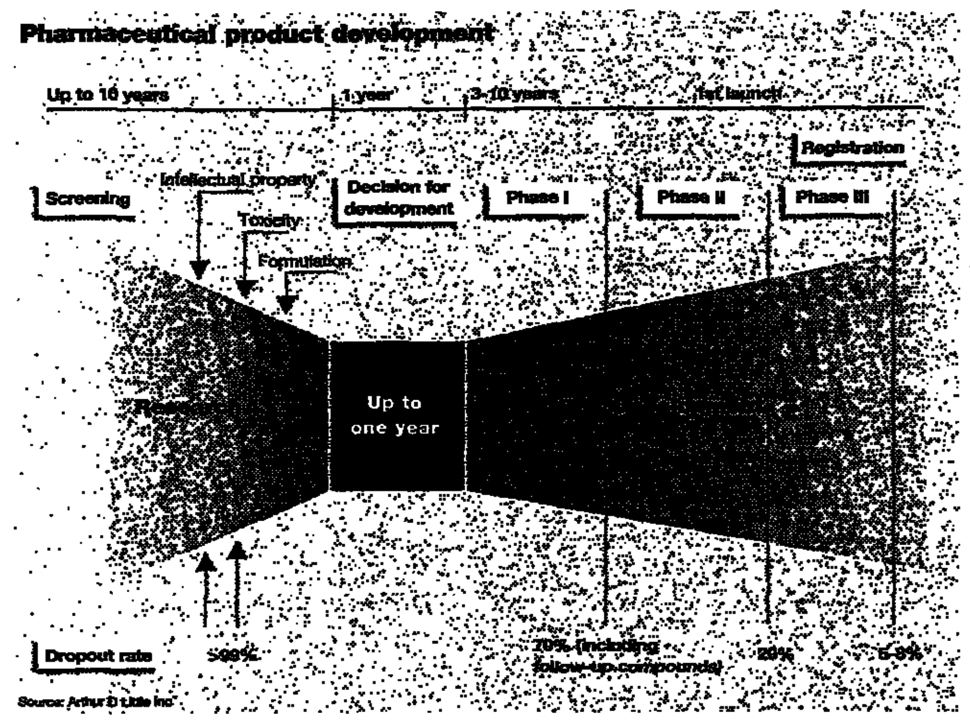
If however, a "breakthrough" treatment is being submitted for approval – often with a high price the drugs company has to work hard to demonstrate conclusively that it makes economic sense.

Therefore, the bulk of the economics workload is falling on companies which invent breakthrough drugs. These are the biggest research-based companies, mostly US, UK and Swiss.

Glaxo of the UK, for example, already has 50 employees in the area. AngloUS company SmithKline Beecham has less than 10 but is recruiting rapidly.

Not surprisingly, such companies have sought to make the best use of the investment outside Australia as well as inside. The economists work is used in marketing where their efforts may help persuade governments and regulatory bodies to allow a high price to be charged – provided an economic benefit is felt elsewhere.

At Swiss company Sandoz, for example, health economics is part of the marketing operation. It began with studies that showed that transplanting kidneys was cheaper in the long term than dialysis. Sandoz makes Sandimmun, an immunosuppressant used in transplant operations to cut the chances of a new kidney being rejected.



Source: Arthur D Little Inc

Sales are growing rapidly, the drug is in already in the world's top 20 sellers, and the company regards its pharmacoeconomics programme as a success. Sandoz is extending its pharmacoeconomics programme to studies on skin disease. This could help sales of its fungal treatment Lamisil which had sales of about SFr50m in 1992, but stockbroker James Capel forecasts that by 1996 it will be the company's second biggest product with sales of SFr600m a year.

Economists can also become involved at a much earlier stage of the drugs industry development chain. At Glaxo, for example, they advise research and development departments on the likely economic effects of proposed new products. A decision can be made earlier over whether it is worthwhile to continue research on a product that may not find favour in an increasingly cost-conscious healthcare environment.

Not all the research comes from or favours the drugs industry. UK government funded research by independent academics on the costs of treating depression and blood cholesterol have not unconditionally pleased SmithKline Beecham, whose new anti-depressive Seroxat promises to be one of its biggest successes of the 1990s, and Merck, whose Mevacor and Zocor cholesterol lowering drugs have combined sales of about $2bn a year.

The role of pharmacoeconomics in the drugs industry seems set to increase. This kind of work and the Australian experiment have attracted the attention of governments and other healthcare buyers around the world. Canada has already issued draft guidelines on how to do pharmacoeconomic studies of treatment regimes, and US healthcare organisations now demand to know the comparative costs of competing treatments.

Budget-conscious politicians and private sector healthcare buyers will find it hard to resist using such analyses when negotiating drug selling-prices with the pharmaceuticals industry.

Power balance shifts slowly in biotechnology battleground

Continued from previous page:

tical companies in particular are keen to extract concessions in the form of increased rights to market any drug developed.

Mr Robert Spiegel, senior vice-president of clinical research of the US company, Schering-Plough, argues that the biotechnology companies want to keep too much in the way of marketing rights for drugs that are still in the early stages of research and development.

"We need to go for the innovative [in biotech companies]: those products that are going to take care of needs that haven't been covered yet," he says.

"That's going to be a more risky investment. And we're being told: 'Don't expect that you can get the rewards. We expect you to make the investment but we'll decide how much you can get in return.'"

He warns that, as a consequence, "pharmaceutical companies like ours or any other big pharmaceutical company are going to be a lot more cautious in what type of investments [they make]."

Some large drug companies have already scaled back their involvement in biotechnology on the basis that the risks are simply too great.

"Why produce drugs through biotech, when you can make the compounds through classical chemistry?" asks Mr Pierre Simon, R&D director of Elf-Sanofi, the French drugs company.

"For the next few years, we will try to mimic the products of biotechnology through classical chemistry."

In private, few heads of large drug companies agree with Mr Simon. They say that in practice, investing in biotechnology companies is more than just buying into a possible new drug.

"Biotech company employees have a dedication and enthusiasm as well as talent and the desire to work long hours that is hard to find in a large organisation," concedes one. And the arguments in favour of the promise of biotechnology R&D seem slowly to be gaining the upper hand.

The small biotechnology companies have new ideas, expertise and energy – but not enough cash or marketing power. In contrast, the large cash-rich pharmaceuticals companies have powerful sales forces

Ten years ago, deals between biotech companies and their big drugs company partners usually saw the exchange of all marketing rights to biotech research programmes for capital and a promise of royalty payments should a drug be successful.

The formula was not popular among biotech companies for two reasons:

- Much of the "financial upside" of developing a popular medication is being able to benefit from profit margins in manufacturing and sales.
- As a drug progresses through the sequence of clinical trials towards approval, its value increases sharply. Selling rights later, rather than sooner, can earn a lot more money for a small company

Ms Jane Shaw, the chief operating officer of one of the few biotechnology companies to have made it to consistent profitability, Alza of Palo Alto; California, says that times have changed.

It used to be hard to secure a deal for anything other than a royalty arrangement, she says, but today she can view "royalties [as] somewhat limiting. We can now take higher risks for higher rewards."

The compromise is for a biotech company to sell only limited marketing rights in return for the capital injection. Glaxo of the UK, for example, has a five per cent stake in Gilead Sciences of California. Gilead has a number of compounds in the late stages of development, but Glaxo has no rights to them.

"Glaxo is sharing co-promotion rights but only in code-blockers [which are still in the earliest stages of research]," says Mr Michael Riordan, chief executive officer.

Biotech research and development is a battleground. One the one hand are the small biotechnology companies which have ideas, expertise and energy but not cash or marketing power.

On the other hand are the large cash-rich pharmaceuticals companies with huge sales forces, yet struggling to maintain morale in the face of healthcare reforms and job cuts.

The biotech companies want to give away as few of their ideas as possible in return for the greatest investment they can secure. The pharmaceutical companies want to secure as many rights – preferably global rights – in return for a large stake and limited cash commitment.

The balance of power is shifting only slowly, and the skirmishing goes on.

New biotech products: the result of high dedication and research talent

France allocates 10% of UAP to core shareholders

By Alice Rawsthorn in Paris

The French government plans within the next few days to launch a tender offer for *noyaux durs*, or hard core shareholders, to invest in Union des Assurances de Paris (UAP), the insurance group that is due to be privatised later this year.

Mr Edmond Alphandéry, economy minister, yesterday said that 10 per cent of UAP, which is France's biggest insurer, was to be allocated to long-term investors.

The announcement of the tender offer will mark the first step towards the sale of the government's 50 per cent stake in UAP.

The holding is valued at between FFr25bn and FFr28bn ($4.2bn-$4.7bn).

The appointment of *noyaux durs*, or long-term investors that are intended to forge strategic links with a company and to protect it against hostile takeover bids, is a standard part of the French privatisation process.

UAP is the largest *noyau dur* in France, as the country's leading institutional investor with a warren of shareholdings across the corporate sector. Some of these companies are now expected to volunteer to become *noyaux durs* in UAP.

However, Banque Nationale de Paris (BNP), the recently privatised French bank that has been UAP's main financial partner, will reduce its stake to 15 per cent from 19 per cent following the privatisation.

Suez, the French holding company, and Winterthur, the Swiss insurer with which UAP has a cross-shareholding, will retain their existing investments.

Mr Alphandéry yesterday confirmed that UAP would be allowed to raise capital as part of the privatisation. Mr Jacques Friedmann, UAP's chairman, has made no secret of his hopes of staging a capital increase to finance the group's international expansion. However, the size of the increase has not been decided.

The economy minister described UAP as "a business in sound financial shape". UAP on Monday announced an increase in net profits of 31.8 per cent to FFr1.42bn in 1993 from FFr1.08bn in 1992. The group, which reported peak profits of FFr4.2bn in 1990, hopes to continue its recovery.

See Observer

Prudential lifted by reinsurance subsidiary

By Alison Smith in London

Prudential Corporation, the UK financial services and life insurance company, reported pre-tax profits of £589m ($886m) for 1993, a 45 per cent advance, helped by a sharply improved performance at Mercantile & General, its reinsurance subsidiary.

The final dividend rose to 8.7p, taking the total dividend to 13.2p per share, a rise of almost 11 per cent. Earnings per share increased 40 per cent to 21.0p compared with 15.0p. Shares closed the day 2p down at 332p.

Mr Mick Newmarch, chief executive, said Prudential did not need to make specific provision against potential compensation claims in respect of personal pensions sold to people opting or transferring out of occupational schemes. Last year it carried out some £355m of pension transfer business.

Profits from the life business rose to £481m, from £444m, with much of the increase coming from operations outside the UK. Profits from the UK rose £6m to £282m.

Jackson National Life, Prudential's US subsidiary, contributed profits of £122m, though this was not directly comparable with the 1992 figure of £86m, which included some £52m as a result of realised investment gains.

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ZF joins forces with carmakers

By Christopher Parkes in Frankfurt

Germany's biggest vehicle makers and a leading parts supplier are planning to join forces in an ambitious co-operative venture which could mark a breakthrough in the automotive industry's drive to cut costs.

The scheme provides for ZF, a transmissions and steering specialist, to pool its resources with Volkswagen and Mercedes-Benz in an operation which will supply both vehicle makers with jointly-developed steering gear.

According to ZF, which unveiled the plan yesterday, the project would reduce steering equipment costs. It would also be open to other automotive groups, the company said.

ZF has been nominated as the project's industrial leader, and its division based at a newly-opened factory in Schwäbisch Gmünd has been designated as the manufacturing base.

If the venture is approved by the companies' boards and the cartel authorities, it could lead to Mercedes and Volkswagen buying in most or all of their steering gear, rather than making it themselves as at present.

All German vehicle makers are keenly examining possibilities for reducing costs by increased out-sourcing and greater use of common components, especially those parts under a vehicle's bodywork which do not directly affect a prospective buyer's judgment.

At the same time, the domestic components industry is under pressure from customers to cut costs, which has led to a wave of losses and intensive merger and co-operation talks.

ZF, which last year made an undefined operating loss after tumbling German sales cut its global sales by DM400m to DM5.4bn ($3.2bn), was recently refused permission by the cartel authorities to take over General Motors' subsidiary, Allison Transmissions.

Shortly after the refusal it announced plans to open a new factory in Alabama to supply front and rear axles for a new Mercedes factory in the state which is due to start production of cross-country vehicles in mid-1997.

● Daimler-Benz is to pay DM424m to buy out the Bavarian government's 8.58 per cent holding in its aircraft and defence systems subsidiary, Deutsche Aerospace.

The price, announced yesterday, was "extraordinarily satisfying", said Mr Edmund Stoiber, the Bavarian prime minister, who recently suggested he was looking for DM300m to DM350m.

The deal marks a further stage in the state's privatisation programme, announced last year, and started earlier this month with the takeover of the Bayernwerk energy utility by Viag for a cash consideration of DM3.3bn plus a blocking minority stake in the enlarged Viag group.

The next move will be the disposal of a holding in the Rhine-Main-Danube canal management company, which will complete Bavaria's assets sale.

Mr Stoiber stressed that privatisation of state and local government-owned savings banks was out of the question. Publicly-owned banks were important to help the financing of local small and medium-sized industries, which often entailed higher risks than those acceptable to private sector financial institutions, he said.

Czechs repurchase CSA stake

By Alice Rawsthorn

The Czech authorities yesterday ended months of negotiations by announcing that they had agreed terms for a deal to buy back Air France's minority stake in CSA, the Czech airline, for $27m.

Air France, which two years ago paid $30m for its 19.1 per cent holding, had initially resisted the Czech government's attempts to force it to sell the shares.

However, the Czechs persisted, anxious to exert greater control over the management of the airline, which fell into the red last year and is on course for further losses this year.

Air France will sell its entire CSA stake to Konsolidacni Banka, the state-controlled Czech banking group.

The negotiations were complicated by the role of the European Bank of Reconstruction and Development (EBRD), which acquired an identical 19.1 per cent holding in CSA at the same time as Air France.

EBRD has already written off 30 per cent of this investment, but the remainder was guaranteed by the French group.

The bank has maintained throughout the negotiations that, although it hoped to retain its CSA stake, it would only do so if the Czech authorities took over the guarantee.

The Czechs have reached a compromise whereby Konsolidacni Banka will have a put option over the EBRD stake which is not exercisable until August 1997.

The EBRD board will meet tomorrow to endorse the agreement and the bank is then expected to sign a formal accord in Prague.

Air France said it could not comment on the sale until it was finalised. However, the Czech transport ministry yesterday said that the five Air France representatives on the CSA board had resigned on Monday. The Czechs now intend to wait for a year before bringing a new international investor into CSA.

Visa forms 'electronic purse' consortium

By Reuter in New York and Alison Smith in London

Visa International said yesterday it had formed a global consortium to develop common specifications for an "electronic purse" card.

The card will have a microchip that can be used instead of cash and coins for everything from vending machines to public transport.

The Visa move comes three months after National Westminster Bank established a joint venture with Midland Bank and British Telecom to launch an electronic smart card, called Mondex, in the UK.

Joining forces with Visa are NationsBank, Wachovia and Electronic Payment Services, all of the US; the Financial Information Systems Centre, which is based in Taiwan; Groupement des Cartes Bancaires of Paris; Banksys in Belgium; Sociedad Espanola de Medios de Pago in Spain; and Portugal's Sociedade Interbancaria de Servicos.

A limited number of other companies which had invested in developing similar systems would be invited to join, Visa said.

NatWest is trying to recruit partners in up to 30 countries to establish Mondex internationally. NatWest said: "Development of common standards will benefit the whole industry and the consumer. We believe that both Mondex and Visa can make significant contributions in this area."

Air France sells duty-free chain

By Alice Rawsthorn

Air France, the state-controlled airline, has sold Saresco, its chain of duty-free shops, to Vaturi-Pernod Ricard-Elig, a retail consortium that includes Pernod Ricard, the leading French drinks group.

Saresco, which owns a number of restaurants as well as duty-free shops at Charles de Gaulle airport in Paris and at Nice airport, is controlled by Servair, the catering subsidiary of Air France.

Servair owns 60 per cent of the shares and Aéroports de Paris, the airport operator, has the remaining 40 per cent.

The terms of Saresco's sale have been agreed in principle and the deal is expected shortly to be concluded. However, the value of the transaction has not been disclosed.

Saresco last year made sales of FFr1.33bn ($459m), an increase over its FFr1.01bn turnover in the previous year. However, its net profits were depressed by increased investment costs – due to the refurbishment of a number of units – and slipped to FFr27.5m in 1993 from FFr34.4m in 1992.

The acquisition of Saresco forms part of the expansion of Vaturi-Pernod Ricard-Elig.

Income ahead at Austrian railway group

By Ian Rodger in Vienna

VAE Eisenbahnsysteme, the Austrian maker of high-speed and heavy-duty railway switches, said net income jumped 18 per cent last year to Sch81.3m ($6.8m), on sales up 21 per cent to Sch1.7bn.

The group said it expected turnover and profits to grow by at least 5 per cent this year.

VAE last year raised Sch300m in a rights issue which reduced the Austrian state's holding to 26 per cent.

Georg Fischer stays in the red as sales fall

By Ian Rodger

Georg Fischer, the Swiss foundries and diversified engineering group, has reported a 1993 loss of SFr34m ($24.3m), in line with a forecast made last September, compared with a depressed profit of SFr11m in 1992.

The directors are recommending that the dividend be passed for the second consecutive year, but they indicated that the group should make a modest profit this year.

Fischer, which is heavily dependent on the motor industry, said its sales fell 15 per cent to SFr2.02bn, mostly because of divestments.

Trading profits fell 38 per cent to SFr46m because of the lower sales and squeezed margins.

The automotive products group, making castings and components for the motor industry, was the only one to make a profit in 1993.

The machine tool division was slimmed down following the closure of the Burkhard und Weber unit.

Mr Martin Huber, the chief executive, said that new orders were up 12 per cent so far this year. The piping systems division should return to the black this year and the plant engineering division should break even.

GEA capital increase aims to raise DM370m

By Quentin Peel in Bonn

GEA, the Ruhr-based German energy, environmental and process technology group, yesterday revealed details of its planned capital increase, intended to raise some DM370m ($218m) in extra finance for the rapidly expanding enterprise.

The share issue will increase the company's basic capital stock of DM150m by a nominal DM40m, or more than 26 per cent, with the issue of 400,000 new voting shares, and the same number of preference shares.

The shares will be offered to shareholders at a ratio of 4:1, and be managed by Commerzbank and CS First Boston.

The company, based in Bochum, was family-owned until it went public with a DM775m share issue in 1989. It made its name in thermal and energy technology, expanding into air treatment and refrigeration, with the acquisition in 1992 of the Dutch group Grasso, and food and process engineering, with the purchase last year of Niro, in Denmark.

Mr Volker Hannemann, the chief executive, said that at least one purchase was planned in 1994.

"We are working on a number of projects both inside and outside Germany," he said.

Olivetti in European multi-media venture

By John Simkins in Milan

Olivetti, the Italian computers group, said yesterday it had set up a joint venture with Redgate Communications of the US to exploit Europe's growing market in multi-media services, which is expected to be worth $10bn in 1996.

Outside Italy, the venture marks Olivetti's entry into the European market for electronic catalogues.

Olivetti is to hold a 51 per cent stake and Redgate, a specialist multi-media editor based in Vero Beach, Florida, will have 49 per cent. Redgate is a venture capital based company whose investors include AT&T Ventures and Olivetti.

The first project planned for the joint venture is InStoreNet in France. The service will give customers access on specialist retailing networks to catalogues offering graphical, audio and video information on hardware and software products.

Olivetti's participation, which will be managed by its recently formed telecommunications and multi-media division, reinforces the company's shift away from hardware to more profitable service-based activities.

Italian car parts group drops to L18bn for year

Sogefi, Italy's listed car components company controlled by Mr Carlo De Benedetti's CIR holding company, yesterday reported net group profits of L18.1bn ($10.7m) for 1993, down from L33.3bn the previous year, writes John Simkins.

The 1992 earnings, however, were boosted by a L19bn extraordinary gain through the sale of Sogefi's stake in the German Boge group to Mannesmann.

In 1993 the group made an extraordinary gain of L12.3bn through the sale of the SVAMA distribution subsidiary. Group net borrowings fell from L116.4bn to L38.5bn.

The company said a strong presence in the second-hand car market and the fact that its activities were centred both on Europe and the US enabled sales to reach L660.4bn in 1993, against L664.5bn, despite recession in the car industry.

Vontobel soars 64% to SFr40m

By Ian Rodger in Zurich

Vontobel, the Zurich-based private banking group, said its consolidated net income soared 64 per cent last year to SFr40.1m ($27.6m).

The directors are recommending a 48 per cent rise in dividends to SFr20 per bearer share and SFr4 per registered share.

The group has revealed for the first time the size of its assets under management, SFr21.5bn, of which half are managed on a discretionary basis and half are from private clients.

The Vontobel family, which has no heirs, has given some SFr6.8m worth of the company's bearer shares to its 500 employees.

The main contributor to profits growth was the doubling of trading income to SFr61.6m.

RVI confident after cutting loss to FFr1.4bn

By David Buchan in Paris

Renault Véhicules Industriels, the commercial vehicles subsidiary of the French state-owned automotive group suffered a net loss of FFr1.4bn ($230m) last year compared with FFr1.62bn in 1992.

The group said it hoped to halve the loss in 1994, however, and claimed that it could survive without an injection of new equity capital.

When Renault's planned merger with Volvo of Sweden collapsed late last year, it was claimed that RVI would require additional capital without the support of Volvo's stronger truck operations.

Mr Shemaya Levy, new RVI president, said that following the failure of the merger the group's international strategy was now focused on achieving synergies with Mack Trucks, its US subsidiary, which was expected to return to profit in 1994 after several years of losses.

Renault was not discussing an alliance with Fiat of Italy, "certainly not at the level of truck-making," he said.

RVI's consolidated turnover was virtually unchanged last year at FFr25.1bn.

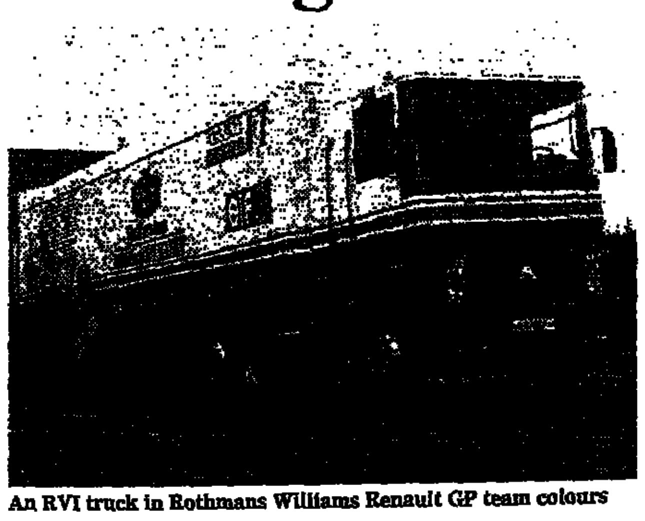
The group's financial fortunes differed sharply in Europe and in North America.

Demand for new trucks fell sharply in west Europe last year, and RVI's turnover in Europe declined by 13 per cent, while its operating loss in the area rose to FFr699m from FFr429m a year earlier.

"We hit the bottom of the cycle in the summer of 1993, and we are now in a phase of slow, progressive recovery," said Mr Levy. The European operation was now steadily reducing its losses.

In contrast to Europe, demand for heavy trucks in the US had risen strongly. Mack turnover increased by 24 per cent to $1.7bn, and halved its operating loss to $72m from a loss of $152m in 1992.

Mack had broken even last month, said Mr Levy, and it would achieve a profit in the whole of 1994.



An RVI truck in Rothmans Williams Renault GP team colours

Mr Levy dismissed the suggestion that Renault trucks was the weaker part of the French group and had had most to gain from the merger with Volvo and most to lose from the failure of the deal.

"We have done no worse than our European competitors," he said. "It is true we have not benefited like Fiat or Volvo from currency changes. But chiefly by reducing stocks we have been able to bring down our debt from FFr3.7bn at the end of 1992 to FFr3.1bn by the end of1993, and with a lower break-even point, we are well placed for the recovery."

There was no need for the capital increase that Mr Jean-Pierre Capron, his predecessor, had talked of in the context of the merger with Volvo. "We have no handicap linked to our size," he said.

He accepted, however, that RVI needed to work hard at increasing the average 3 per cent market share it has in Europe, outside France and Spain.

It had maintained its investment in research and development and had retained the intellectual property rights to its share of the work done with Volvo in developing a new medium-weight truck cab.

RVI would now focus on developing new engines, and possibly suspension and brake systems, with Mack, however.

It would also seek to develop a common purchasing strategy with Mack to exploit the fact that some components suppliers, such as Bosch and Michelin, had operations on both sides of the Atlantic.

"This does not exclude continued co-operation with Volvo, or others, in such areas as gearboxes, axles and transmissions," said Mr Levy.

BCH to cancel capital after Pta26bn buy-back

By Tom Burns in Madrid

Banco Central Hispano (BCH) plans to cancel some 5 per cent of its share capital after being forced to buy back its own stock from the markets to support the price. BCH shares came under pressure after the collapse of rival bank Banesto at the end of last year.

Officials at BCH, which owns the biggest branch network in Spain, acknowledged yesterday the bank had spent some Pta26bn ($187m) supporting its share price.

BCH equity owned by the bank has risen since December from 0.2 per cent of the total number of shares on the market to close to the 5 per cent limit set by the authorities.

The board will seek authorisation from the annual meeting next month to write off the equity it now owns. The amortisation would reduce the number of BCH shares to 551,619 from 578,959 and the bank estimates the cancellation will raise income per share from to Pta296 from Pta281.

BCH shares, which traded at Pta3,380 at the beginning of this year, fell earlier this month to Pta2,755 and have steadied to Pta2,850, representing a 15 per cent discount on the estimated book value.

Investor confidence in BCH waned in the second half of last year and fell further following the troubles at Banesto. BCH's net interest income shrunk by 4.8 per cent last year although its operating profit was up by 11.8 per cent due, in part, to non-recurring foreign exchange and public debt trading.

The bank's profile was further dented recently by credit rating agencies. Moody's has placed BCH under review for a possible downgrade and IBCA, the London-based agency, last week adjusted the bank's short-term commercial paper from A1+ to A1 and its long-term debt from AA- to A+. Both agencies cited flat core earnings at the bank, concern over asset quality and the slow progress of cost reductions as reasons for the revision.

The bank's move was welcomed yesterday by market analysts. "In the circumstances it is a well thought-out move, and there could be further cancellations of stock over the year," said Mr Robert Maxwell of Madrid brokers Maxwell and Espinosa.

BCH officials insist any link between Banesto's troubles and possible difficulties at BCH is wholly out of place. Nevertheless, the buy-back and write-off moves are part of several initiatives to restore investor confidence.

● BCH is streamlining its decision-taking process. Mr Jose Mara Amusategui, chairman, is pruning his board to 28 members from 39 and his executive committee to 14 from 19.

● The bank plans to raise income by disposing of part of its industrial assets, although it intends to keep control of the prime companies in its portfolio. This week it will realise about $104m through the placement of 13.5 per cent of Aumar, a toll-motorway operator, in which it holds a 67 per cent stake.

● In the second half of this year the bank will tap the markets for some Pta70bn in three issues of subordinated debt. "We are very capitalised in tier one, core capital, so we can afford to cancel and what we want is a better mix, with more subordinated debt," said a senior BCH executive.

Developer pays DM40m for Berlin stake

By Andrew Taylor, Construction Correspondent

Christiani & Nielsen, the international contractor and property developer, has paid DM40m ($22.7m) to acquire a 71.73 per cent stake in a DM1bn property development close to Berlin.

Nobleclear, the development company, was previously owned by UK property developers Mr Ronald Lyon and Mr Godfrey Bradman and East German Investment Trust.

After the purchase East German Investment Trust will retain 18 per cent and Mr Lyon 10.27 per cent of Nobleclear. Mr Bradman has sold his stake.

Nobleclear plans to develop the 309 acre site at a cost of DM800m over the next four to five years.

It will provide a mix of residential, light industrial and commercial buildings in one of the largest out-of-town developments in the region.

Christiani, the former Danish construction group, was acquired by its Thai subsidiary for $80m at the end of 1992.

It is the second time this year that Mr Bradman, former chairman of collapsed UK developer Rosehaugh, has decided to give up a property development opportunity.

His plan to lead a consortium to develop a £300m ($438m) retail and residential development at White City in west London collapsed after British Rail and the BICC engineering group accepted an alternative offer for the land.

Loan losses hit Gota Bank

By Hugh Carnegy in Stockholm

Gota Bank, merged by the government at the turn of the year with fellow state-owned Nordbanken, yesterday reported an operating loss in 1993 of SKr13.57bn ($1.71bn) reflecting the damage wreaked by loan losses on Sweden's banks. This was more than five times its 1992 loss of SKr2.4bn.

The loss came despite the transfer during the year of SKr38.3bn out of Gota's total loan portfolio of SKr78.4bn into a separately-run, so-called bad bank called Retriva. The transferred loans included SKr23.4bn out of Gota's SKr27.2bn problem loan book.

Despite this, credit losses – mostly from the property sector – stood at SKr11.98bn in 1993, including the write-down of assets transferred to Retriva. The figure was only slightly below the 1992 loan loss figure of SKr12.5bn.

Net interest income also slumped by 53 per cent to SKr1.7bn, partly because credit losses before the Retriva clean-up had to be loan-financed, pushing up interest costs.

However, the Retriva operation meant problem loans after provisions for losses at the year-end stood at SKr1.1bn, compared with SKr12.4bn in 1992, out of a total outstanding loan portfolio of SKr40bn.

Apart from setting up Retriva, the state kept Gota afloat by pumping in SKr20bn in capital. It then decided to hand over Gota to Nordbanken, which itself was only kept afloat by huge injections of state assistance and a similar "bad bank" operation to deal with non-performing loans.

Nordbanken, which will report its results for 1993 later this week, has since bounced bank into profit.

But it has already had to spend SKr3bn on a further capital infusion to keep Gota's capital adequacy ratio above the internationally-required level of 8 per cent.

Profits advance 67% at Incentive

By Hugh Carnegy

Restructuring, cost-cutting and a boost from the fall in value of the Swedish krona pushed up results at Incentive, the Swedish industrial group controlled by the Wallenberg family. Profits jumped by 67 per cent to SKr620m ($78.57m) in 1993 from SKr371m in 1992, excluding associated companies.

Group sales, however, were up just 4 per cent at SKr12.27bn from SKr11.77bn due to the weakness of the company's European markets and divestments related to Incentive's move to narrow its focus on engineering.

But a smaller rise in costs and a positive effect from the devaluation of the krona worth SKr100m helped produce the sharp improvement in profits.

Profits after counting in contributions from associated companies rose to SKr1.85bn from SKr1.27bn. The dividend is raised to SKr7 per share from SKr6 last year. The result underlined an improving trend in the Wallenberg empire after several tough years.

Incentive said the prospects for 1994 were "relatively favourable," with higher volumes, improved margins and lower costs set to improve earnings.

Earlier this month, Investor, the senior of the Wallenberg companies, said it expected rising profits in 1994, following a sharp turnround in the last quarter of 1993.

Incentive said a recently-announced decision to sell the glass-making company Orrefors to Incentive's shareholders would complete a programme of restructuring carried out since Incentive was listed in 1991 after emerging from under the wing of Asea, the Swedish half-owner of Asea Brown Boveri, the Swiss-Swedish engineering group.

Charges of around SKr100m were made against 1993 earnings against costs of breaking up the Hägglunds subsidiary, parts of which were sold off.

Last year, Incentive also spent around SKr500m last year acquiring MacGregor-Navire, the shipboard cargo handler, from the Finnish group Kone.

Telia pushes earnings up to SKr3.95bn

By Hugh Carnegy

Telia, Sweden's state-owned telecommunications company, yesterday reported profits after financial items more than doubled in 1993 to SKr3.95bn ($500m) from SKr1.8bn in 1992.

Sales were up marginally to SKr35.34bn from SKr35.29bn.

The increase in profits was put down chiefly to a fall in investments, which were down by 7 per cent to SKr7.17bn, lower debt costs and a drop in restructuring costs.

The company said the number of subscribers fell slightly for the first time, due to the recession in Sweden.

However, telephone traffic rose by almost 5 per cent, due chiefly to fast-growing mobile telephone usage.

Telia became a commercially-structured, independently-run company in the middle of last year, having previously been a directly state-run concern called Televerket.

It faces competition in international telephone traffic, mobile telephone networks and the supply of telecoms equipment.

The present centre-right coalition government intends to begin privatisation as early as next year or 1996 if it wins September's general election.

However, the opposition Social Democrats, currently leading in the opinion polls, are against any sell-off.

INTERNATIONAL COMPANIES AND FINANCE

Programmed for the Microsoft challenge

Novell's expansion has pitted it directly against the market leader, writes Louise Kehoe

The balance of power in the computer software industry has shifted unexpectedly towards the state of Utah, home of Novell, the leading supplier of software for personal computer networks.

Novell announced late on Monday that it planned to acquire WordPerfect, a Utah neighbour, for $1.4bn in stock. At the same time, Novell has purchased the rights to a popular spreadsheet program called Quattro Pro from Borland International for $145m in cash.

Novell shares were down in heavy trading yesterday morning, at $20¾ from $23¾ at Monday's close.

The moves give Novell an instant stake in the market for application programs, with WordPerfect's word processors and Borland's spreadsheet.

They also transform Novell into a software powerhouse with annual revenues of close to $2bn, second only to Microsoft, the world's largest software company with revenues last year of $3.75bn.

For the first time, Microsoft will face competition from a company with the size and breadth of products to challenge its own market dominance.

Novell seems to relish the opportunity for a market battle. There is no love lost between Novell and "the boys from Seattle", as Mr Raymond Noorda, Novell chief executive, calls Microsoft's youthful executives.

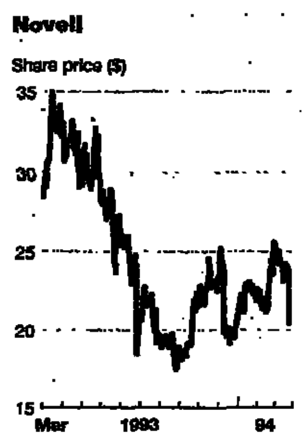
Mr Bill Gates, Microsoft chairman, has charged that Novell "has a vendetta against us", and Mr Noorda has accused Microsoft of anti-competitive business practices.

Microsoft is being investigated by the US Justice Department, and Novell has played an active role in providing information to the anti-trust investigators. Novell has also filed an anti-trust complaint against Microsoft in Europe.

However, Mr Noorda carefully avoided any comment on Microsoft yesterday, and analysts said his plans to expand Novell may shift attention away from Microsoft's market dominance.

Until now, Novell has competed with Microsoft only in the area of operating systems, the software that controls the basic functions of a computer or network of computers.

Raymond Noorda: relishes battle with 'boys from Seattle'



Source: Datastream

Novell's Netware is the leading network operating system. Last year, Novell also acquired Unix, a computer operating system widely used in "open systems" computing. Novell faces increasing competition, however, from Microsoft's recently-introduced Windows NT, an operating system for networked computer systems.

With its acquisition of WordPerfect and purchase of Borland's spreadsheet, Novell will now go head to head with Microsoft in the booming market for office software "suites", or bundles of business software applications, including word-processing, spreadsheets and database management.

Novell also plans to leverage its leadership in networking software to create a class of applications products called "groupware", aimed at teams of workers.

Such software would include messaging, task management, document management and workflow tools, Novell said. In this market segment, Novell will compete with Microsoft and Lotus Development, the third-largest personal computer software company.

"The era of stand-alone personal computing is evolving into group collaboration that connects individuals, groups and companies," said Mr Noorda. "Novell's objective is to accelerate this market transition."

Yet Novell's expansionary moves also reflect tough times in the software industry, as smaller companies find it increasingly difficult to compete with "mighty Microsoft", with its broad distribution and marketing clout, and to keep pace with a price war.

WordPerfect and Borland have both lost market share over the past year, according to market analysts. WordPerfect has recently laid off more than 1,000 employees, or 17 per cent of its workforce. Borland has faced cashflow problems as it slashed prices in an attempt to gain market share. Borland said on Monday it would restructure its operations, following the sale to Novell of its leading product. Large staff cuts are expected.

Novell's extensive distribution network, with 25,000 resellers worldwide, could breath new life into WordPerfect and Borland's spreadsheet business, industry analysts say.

Novell faces the challenge, however, of integrating the new businesses into its established operations. "Mergers are difficult in any industry, but more so in software because you have to combine different code bases, as well as different cultures," said Mr Pete Higgins, Microsoft vice-president.

However, Novell is not new to these challenges. Over the past 10 years the company has acquired no fewer than 15 software companies, although none the size of WordPerfect.

And Mr Noorda says long-standing friendships between executives of the two companies, whose offices are just a few miles apart, will help to make the combination "a natural merger".

A more pressing problem for Novell is who will replace Mr Noorda, who at 69 is about to retire. "We are on track to find my successor by mid-June," said Mr Noorda, who has been talking to several industry executives outside the company.

Thus, although Mr Noorda may have realised his dream of creating a new "software powerhouse", the newly-expanded Novell faces significant uncertainties. It also remains to be seen how Lotus Development will react to Novell's expansion plans.

Four years ago, Lotus and Novell aborted a planned merger, after the two companies failed to agree on who should head the merged businesses. Mr Noorda says he recently rejected an attempt by Lotus to resurrect talks.

Novell's acquisitions do, however, confirm a broad trend in the software industry toward consolidation. Last week, Aldus and Adobe Systems, two leaders in desktop publishing software, also announced plans to merge.

Borland shaken by revamp and resignation

By Patrick Harverson in New York

Borland International, the US personal computer software company which is selling its spreadsheet product Quattro Pro to Novell for $145m, warned it would report significantly lower revenues and a "substantial" operating loss in the quarter ending March 31. It also announced the resignation of its finance chief.

Borland said it would incur a charge in the next quarter, to cover the corporate restructuring that followed the Quattro Pro sale and its poor recent earnings performance.

It said it had not yet determined the extent of the charge.

The latest developments follow last week's appointment of Mr Keith Maib as Borland's first chief operating officer. Mr Maib, a former partner at the accountancy firm Price Waterhouse spent the weeks before his appointment examining in detail Borland's business. He is now running the day-to-day management of the company.

The arrival of Mr Maib followed a period of turmoil among the company's senior management.

The resignation of Mr Alan Henricks, who stepped down as chief financial officer "to pursue other interests", was only the latest in a line of recent departures by senior executives. Last Wednesday, the head of the company's product division resigned.

The sale of Quattro Pro, the arrival of Mr Maib, and the planned restructuring are all part of an attempt by Mr Philip Kahn, Borland's chief executive, to ensure the company survives a price war in the increasingly competitive software market.

Borland incurred a loss of $49m for its 1993 fiscal year, and in the latest quarter reported only modest profits.

Tenneco names new Case head

By Laurie Morse in Chicago

Tenneco, the diversified US industrial company, has named a veteran of Honeywell's European restructuring programme to head J.I. Case, Tenneco's largest division.

Mr Jean-Pierre Rosso, 53, from Vichy, France, will succeed Mr Edward Campbell as Case's president. Mr Campbell will retire on March 31.

Mr Rosso's appointment is seen as a sign that Case is about to proceed with an extensive rationalisation of its European operations, where its construction and agricultural equipment lines have been battered by competition and shrinking markets.

Case has just completed the first year of a three-year, $920m restructuring programme designed to rescue it from losses of $1bn in 1992. To date, the bulk of Case's rationalisations and plant closings have been in North America.

Announcing the appointment, Mr Dana Mead, Tenneco's president, said "a substantial amount of restructuring steps remain across all of Case's worldwide operations".

Compaq Computer to open plant in Brazil

Compaq Computer of the US is to build a $15m assembly plant in Brazil. It should become operational by September, Reuter reports from São Paulo.

"Brazil will play a key role for our growth in Latin America," said Mr Eckhard Pfeiffer, Compaq president and chief executive officer.

He said the plant, which will be located on the outskirts of São Paulo, will serve the Latin America and Caribbean region outside Mexico.

It will begin by producing desktop models and eventually assemble the full line of Compaq products.

Mr Pfeiffer described the planned Brazilian plant as one of "high volume manufacturing capacity" that would eventually employ around 400 people.

He would not comment on production numbers, except to say that it would be in the "hundreds of thousands of units".

A regional plant should represent substantial production and operational cost-savings, which would be passed on to the consumer, he said.

He said the plant was the result of a policy of installing manufacturing operations "at the heart of our markets".

Compaq has three manufacturing plants – in Texas, Singapore and Scotland – and recently announced plans to open a fourth, in China.

Mr Pfeiffer said although the Brazilian plant was due to begin manufacturing by September, the location had not been finalised. The company was looking for an existing building.

He said computer peripherals would be provided by traditional suppliers, but added that the company would look into the possibility of buying equipment from Brazilian manufacturers.

Mr Manuel Parra, vice-president for Latin America and the Caribbean, said Compaq held around 12 per cent of the 400,000-unit Brazilian personal computer market.

Battle for Hyundai site

By Robert Gibbens in Montreal

Canada's federal government and the state of Quebec are trying to find ways to re-open the Hyundai car assembly plant near Montreal.

The South Korean group's C$400m (US$294.1m) plant was closed temporarily last summer because of poor sales of the Sonata car. It was to be re-tooled for assembly, from mid-1995, of the 1996 Elantra for the North American and European markets.

Hyundai, however, maintains it can only build the Elantra economically in Korea.

A weak Canadian dollar has driven up the cost of parts purchased in US dollars, and the North American Free Trade Agreement has raised duties on all imported parts.

Hyundai said the Bromont plant would stay shut indefinitely. An Ontario wheel plant, meanwhile, will be shut down completely and sold.

In Ottawa Mr Paul Martin, federal finance minister, said he had raised the Bromont closure with the Korean government. "We're actively seeking alternative uses," he said.

The Quebec government hinted it might be willing to help if Hyundai agreed to re-open the plant.

Linde acquires gasworks

By Nicholas Denton in Budapest

Linde, the German engineering concern, yesterday announced the acquisition of a Hungarian facility producing industrial gases.

The German group is to take over the air separation and oxygen production works in Dunaujvaros in central Hungary, previously operated by Dunaferr, the state-owned steel producer.

Although the purchase price was not disclosed, Linde said the acquisition and other developments planned for 1994 would take their total investment to DM125m ($73.5m) for Hungary and DM400m for the central-east European region as a whole.

Linde outbid Messer Griesheim, the subsidiary of German chemical group Hoechst, to win the Dunaferr assets. The deal leaves the Hungarian industrial gases market divided primarily between the two German groups.

Mr Gunnar Eggendorfer, Linde board member, said demand for industrial gases was expected to grow faster than the economy as a whole. He said Linde hoped to extend the use of the products made at the facility.

Jardine Fleming cements position with $202m net

By Simon Holberton in Hong Kong

Jardine Fleming yesterday cemented its position at the top of Hong Kong's merchant banking league, posting a 166 per cent rise in 1993 net earnings to US$202m from $76m in 1992.

The company – a joint venture brokerage between Jardine Matheson and UK merchant bank Robert Fleming – is strongest in investment management, broking and corporate finance.

Commenting on his company's results, Mr Alan Smith, executive chairman, said: "What I think these results show is this is Asia and this is where you should be."

Mr Smith said that for the past decade Jardine Fleming had made an average 60 per cent annual return on shareholders' funds. In 1993, the return was 91 per cent on funds of $303m.

Last year funds under management more than doubled to $21.3bn on the back of strongly rising share prices in most Asian markets.

Inflows were particularly strong in Hong Kong, where sales of unit trust products reached $3.7bn. A flood of applications at the beginning of this year forced the company to place a temporary halt on new subscriptions.

The company said that it achieved a higher share of agency broking business last year and was active in introducing new products, particularly derivatives and Euro-instruments. It claimed it held first position in the trading of "B" shares in Shanghai.

Worldwide accounting standard moves closer

By Andrew Jack

International accounting standards-setters are to work with their US counterparts to develop the reporting of earnings per share.

The US plans to move away from its current disclosure of primary earnings per share towards the international emphasis on the disclosure of basic earnings.

The International Accounting Standards Committee (IASC) said it expects to issue an exposure draft standard later this year, which would lead to a final standard in 1995. The US Financial Accounting Standards Board plans a similar timetable.

The move represents a shift towards greater co-operation as standards-setters attempt to harmonise financial reporting around the world.

It comes when the IASC is pressing for whole scale ratification of its standards by Iosco, the International Organisation of Securities Commissions, which could lead to companies using IASC standards gaining quotations in stock exchanges.

A number of the national accounting standards-setting bodies, including those in the UK, Canada, US and Australia, are beginning to develop projects jointly.

Star TV changes tack to attract Asia's middle class

By Simon Holberton

Star TV, News Corporation's Asian satellite television arm, is to change its business strategy radically in an attempt to broaden its appeal to Asian viewers.

Mr Gary Davey, chief executive, said Star would change from being a broadcaster which attempted to lure the top 5 per cent of viewers in Asia to one which attracted the region's growing middle class. Star currently has an estimated 200m viewers in Asia.

To achieve this, Mr Davey said Star would change from a predominately English-language broadcaster to one that offered viewers programmes in their own language. He said the change reflected Star's new management taking "a fresh but realistic look at the market".

Mr Davey, speaking at a media conference in Hong Kong, also foreshadowed the introduction of pay-TV on Star. He said Star was about to launch pay-TV channels, although he did not specify their number or type.

Until recently it had been thought that the formidable problems of fee collection across the vast and varied terrain which Star covers would prevent the early introduction of pay-TV.

Mr Davey underlined Star TV's appreciation of the special cultural and political circumstances in which it was broadcasting.

Star would "pay greater attention to local needs, tastes and sensitivities," he said.

"In this region we fully recognise our responsibilities to cater to local needs. In a region with far greater political and cultural diversity than Europe, any broadcaster must be conscious of these sensitivities and operate accordingly."

Earlier this week it was announced that the BBC would cease transmitting its World Service Television news on Star TV's "northern beam". This covers China, Mongolia, Hong Kong, Taiwan, Korea and Japan.

Since his move to Hong Kong, Mr Rupert Murdoch, News Corp's chairman, has sought to impress China's Communist rulers and other Asian political leaders. He hopes that by sacking the BBC his cause may be served.

HK hotel group static at $40m

By Louise Lucas in Hong Kong

Mandarin Oriental Inter, the hotel group controlled by Jardine Matheson, yesterday announced unchanged net earnings of US$40.8m for 1993, compared with $40.3m the previous year.

Improved contributions from the Hong Kong hotels were offset by weak performances in most other markets, the company said.

The results fell short of expectations, and the group has been hit by a fall in hotel visitors. For 1989, profits totalled HK$392.8m (US$50.8m).

Some 64 per cent of profits before interest and tax came from Hong Kong and Macao last year, and Mr Robert Riley, managing director, earmarked the colony as one of next year's better performers, due to shrinking supply as hotels are pulled down and converted into office blocks.

Mr Riley said the average room rate at the Mandarin Oriental in Hong Kong was lower than it was in 1989, during which time inflation in the colony had risen more than 50 per cent. This year he sees rates outpacing inflation as the sector attempts to catch up.

Mr Simon Keswick, chairman, said: "The company's two hotels in Hong Kong should benefit from stronger demand in 1994.

"While the immediate outlook is mixed in the group's other markets, the groundwork has been laid for future growth and the prospects for Mandarin Oriental remain encouraging."

Earning per share were 6 US cents, against 5.94 cents. The group is maintaining a 5 cents a share dividend.

NEWS IN BRIEF

Australia Air offered grant to move base

The Victoria state government has offered a A$5m (US$3.5m) grant to Australia Air International if the fledgling carrier, which holds air service rights to China, moves its headquarters from Sydney to Melbourne, writes Nikki Tait from Sydney.

Australia Air was given the rights to weekly flights between Australia and Beijing last year, but has been unable to satisfy the International Air Service Commission that it has the necessary funds to start operating.

The Victoria government's offer is conditional on a A$55m flotation of the airline during the next two months.

Comalco NZ posts NZ$18m loss

Comalco New Zealand, part of the Australian Comalco group, has made an after-tax loss of NZ$18m (US$10m) for 1993, its deficit third in a row, writes Terry Hall from Wellington.

Mr Kerry McDonald, chief executive, said prospects seemed to be improving as world demand for aluminium was growing and prices were recovering. He added that low prices were responsible for last year's loss, which followed a "massive" increase in supplies from the fomer Soviet Union.

CSR buys stake in earthmover

CSR, the building materials and sugar group, is to purchase a 51 per cent stake in AWP Contractors, a Western Australia earthmoving business, for A$30m (US$21m), Reuter reports from Sydney. AWP is 33.3 per cent held by Broken Hill Holdings.

Israeli construction group float delayed

The Israeli finance ministry is to postpone a share offering of Shikun U'Pituah, the state-owned construction company, Reuter reports from Jerusalem. The flotation had been expected to bring in $337m.

Italian bank plans capital increase

Cassa di Risparmio delle Provincie Lombarde (Cariplo), Italy's largest savings bank, plans a capital increase and part floatation, Reuter reports from Rome.

Mr Sandro Molinari, director general, said the flotation would be aimed at institutional investors, clients and bank employees.

"By the end of 1994, Cariplo will be on the bourse with a capital increase that will be close to 20 per cent and worth not much less than L2,000bn ($1.19bn)," Mr Molinari said.

Discounters hurt Marui profit

By Emiko Terazono in Tokyo

Marui, the big Japanese department store group, suffered sharp falls in non-consolidated profit and sales for the year ended January as consumer confidence continued to wane.

The retailer said parent pre-tax profits fell 14.9 per cent to Y29.8bn ($280m), while sales declined 6 per cent to Y506.8bn.

Japan's department stores have been hit by competition from discount retailers, with consumers opting for value at the expense of higher margin items. Mr Tadao Aoi, Marui's president, said the retailer will try to prevent further declines in sales.

A fall in interest income due to the fall in interest rates also hurt profits, with after-tax profits down 12 per cent to Y16.5bn.

For the current year, Marui expects profits to decline further. It predicts a 12.8 per cent fall in pre-tax profits to Y26bn on a 0.6 per cent rise in sales to Y510bn.

■ Aoyama Trading, the Japanese retailer of discount men's suits, said it will tie up with J.C. Penney, the leading US department store, to set up a men's casual wear chain in Japan.

Aoyama plans to open the first store in the autumn and expects to expand the chain to 50 to 70 stores during the year ending March, 1995.

THE KOREA-EUROPE FUND
International Depository Receipts
Issued by
Morgan Guaranty Trust Company of New York
INTERIM RESULTS

The Directors of The Korea-Europe Fund Limited announce the unaudited results for the six months ended 31 December 1993.

	At 31 December 1993 US$ 000	At 31 December 1992 US$ 000
Assets applicable to ordinary capital	201,272	146,952
Net asset value per share	$7.02	$5.12

	Six Months Ended 31 December 1993 US$ 000	Six Months Ended 31 December 1992 US$ 000
Investment Income:		
Dividends	107	258
Bond interest	-	319
	107	577
Deposit interest	15	22
Total Revenue	122	599
Expenses and interest	1,034	903
Deficit before taxation	912	304
Taxation on the revenue	17	29
Deficit after taxation	929	333
Deficit per share	3.24 cents	1.16 cents

Over the six months to 31 December 1993 the net asset value of the Company increased by 27.4 per cent, compared with a rise of 15 per cent. In the KSE Composite Stock Price Index in US Dollar terms. This outperformance was largely due to the Company's overweighting in smaller companies which outperformed the rest of the market.

The Majority of dividend payments by Korean companies are made in the first six months of the calendar year. As a result, the greater part of the Company's revenue will be received in the final six months of the current accounting period and there is a deficit of revenue after taxation for the period covered by this statement.

The Interim Report will be mailed to registered shareholders at their registered addresses on 4 April 1994. For the benefit of holders of depository receipts the Interim Results will be published in the Financial Times on 23 March 1994, and copies of the Interim Report will be made available from 4 April 1994 at the offices of Schroder Investment Management Limited, 85 Queen Victoria Street, London, EC4V 4EJ.

Depositary: Morgan Guaranty Trust Company of New York, Brussels Office, 35 av. des Arts, 1040 Brussels.

LEGAL NOTICES

Company No. 2197422
Registered in England and Wales

HARRIER SYSTEMS LIMITED
(formerly Computerlynx Limited)
Principal Place of Business:
Unit 2, Newton Business Centre, Thorncliffe Industrial Estate, Sheffield

NOTICE IS HEREBY GIVEN, pursuant to Section 48(1) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named company will be held at 1 East Parade, Sheffield S1 2ET, on 30 March 1994 at 10.30 am for the purpose of having laid before it a copy of the report prepared by the administrative receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act. Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. Other creditors are only entitled to vote if:

(a) they have delivered to us at 1 East Parade, Sheffield S1 2ET, by no later than noon on 29 March 1994, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

(b) there has been lodged with us any proxy which the creditor intends to be used on his or her behalf.

D J Stubbs
Joint Administrative Receiver
15 March 1994

COMPANY NOTICES

LEUMI INTERNATIONAL INVESTMENTS N.V.
US $75,000,000 GUARANTEED FLOATING RATE NOTES 1997 EXTENDIBLE AT THE HOLDERS OPTION TO 2000
The interest rate applicable to the above Notes in respect of the interest rate period commencing 21st March 1994 has been fixed at 4½% per annum. The interest amounting to US $228.61 per US $10,000 principal amount and to US $2286.11 per US $100,000 principal amount of the Notes will be paid on 21st September 1994 against presentation of Coupon No. 8.
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K & O PRODUCTS LIMITED
(IN ADMINISTRATIVE RECEIVERSHIP)
NOTICE IS HEREBY GIVEN pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named company will be held at the offices of Robson Rhodes, 186 City Road, London EC1V 2NU, on Friday 15 April 1994 at 10.30 in the forenoon, for the purpose of having laid before it a copy of the report prepared by the administrative receivers under section 48 of the said Act. The meeting may, if it thinks fit, establish a creditors' committee to exercise the functions conferred on it by or under the Act.
Creditors are only entitled to vote if:
(a) they have delivered to us at the address shown above, no later than 1200 hours on the business day before the meeting, written details of the debt they claim to be due, and the claim has been duly admitted under the provisions of the Insolvency Rules 1986 and
(b) there had been lodged with us any proxy which the creditor intends to use on his behalf.
Dated 18 March 1994
V M HARSTOW and N D BACON
Joint Administrative Receivers
Creditors may obtain a copy of the report, free of charge, on application to the Joint Administrative Receivers at 186 City Road, London EC1V 2NU

INTERNATIONAL CAPITAL MARKETS

US Treasury prices see-saw ahead of Fed meeting

By Frank McGurty in New York and Antonia Sharpe in London

US Treasury bond prices see-sawed early yesterday as a Federal Reserve committee opened a policy-making session that was expected to coincide with a move to tighter money.

Later, Federal Reserve Board chairman Mr Alan Greenspan said central bank policymakers had decided to increase pressure on bank reserves in order to raise interest rates.

"This action is expected to be associated with a small increase in short-term money market interest rates," Greenspan said.

By midday, the benchmark 30-year government bond was $\frac{4}{32}$ higher at $91\frac{11}{32}$, with the yield slipping to 6.938 per cent. At the short end, the two-year note was $\frac{1}{32}$ better at $99\frac{3}{16}$, to yield 5.052 per cent.

Early on, bond traders were content to remain on the sidelines amid the uncertainty surrounding the outcome of the meeting of the Federal Open Market Committee.

With no indication of a policy change during the morning session, however, bonds across the yield curve moved moderately higher in light trading.

The gains seemed to suggest that the market had already priced an increase in the Fed Funds rate, currently standing at 3.25 per cent, into Treasury prices.

But the overriding nervousness of the market was revealed just before mid-day, when a Fed spokesman said the FOMC had not yet discussed monetary policy. The news forced the long bond to give back all its session gains in a matter of minutes. Soon thereafter, it regained its stride and began moving up again.

Meanwhile, the FOMC session was complicating an afternoon auction by the Treasury of $17bn in two-year notes, to be followed by the sale of $11bn in five-year securities the next day.

GOVERNMENT BONDS

■ European government bond markets pared their gains yesterday afternoon following early indications that the US Fed might leave monetary policy unchanged.

Analysts said that the Fed's decision to keep the markets guessing about the direction of its monetary policy came as a surprise, since most traders had expected the Fed to sanction a rise of a quarter-point in the Fed funds rate to 3.5 per cent.

The lack of early action by the Fed extended the markets' long vigil for evidence that European bonds were in the process of de-coupling from the US market.

Analysts said that had the Fed decided to leave monetary policy unchanged, it would have been easier for the Bundesbank to cut its repo rate today.

The market had expected the Bundesbank to lower the rate by up to eight basis points from 5.88 per cent.

■ UK gilts generally outperformed other European government bond markets, supported by hopes of favourable inflation data for February today. The market expects a monthly rise of 0.4 per cent in the retail prices index, bringing the annual rate, excluding mortgages, down to 2.6 per cent from 2.8 per cent in January.

Media reports of a Gallup poll showing consumer confidence at a four-year low also supported gilt prices since the findings kept hopes of a further cut in interest rates alive.

The June long gilt future on Liffe traded at $109\frac{11}{32}$ in the late afternoon, up $\frac{8}{32}$ on the day, off the day's high of $109\frac{21}{32}$ but well up on the worst level of $109\frac{1}{32}$.

Analysts expressed disappointment at the size of the Bank of England's first floating-rate gilt for 15 years.

They had been confident that the novelty value of the issue would encourage the Bank to set the amount at between £3bn to £3.5bn. However, the Bank chose to raise only £2.5bn, indicating to the market that it was comfortable with its funding programme.

The other terms of the issue were in line with market expectations – a minimum price of 99.50, a coupon of three-month Libid less ⅛ point and a five-year maturity.

■ German government bond prices see-sawed after news of the Fed's inaction. The June bund future on Liffe stood just under a half-point higher at 96.45 in the late afternoon, below the day's high of 96.60 but off the low of 95.84.

Crédit Agricole in venture with Lazard

By Tracy Corrigen

Crédit Agricole and the Lazard group have set up a joint company specialising in structured finance.

Crédit Agricole-Lazard Financial Products, based in London, will offer a wide range of financial techniques to large international companies.

Unlike the financial products subsidiaries set up by CS First Boston and Merrill Lynch, the unit is not designed as a vehicle for trading derivative instruments.

An increasing proportion of corporate finance, including mergers and acquisitions business, now involves structured transactions, often using derivative instruments.

Mr Edouard Stern, a partner of Lazard Frères, cited Viacom's $9.5bn agreed takeover of Paramount, which was helped by the offer of contingent value rights, structured using derivatives, to Paramount shareholders. Lazard was Paramount's adviser.

In the past, Lazard has used other houses for derivative transactions.

Crédit Agricole, France's largest bank, is already a significant participant in the debt and derivative markets, but has not been active in corporate finance.

Under the partnership, Crédit Agricole will provide the necessary capital and trading muscle, while Lazard will provide the client list and corporate finance expertise.

The amount of capital provided for the joint company was not disclosed, but 75 per cent is provided by the Caisse Nationale de Crédit Agricole and 25 per cent by the Lazard houses of London, Paris and New York.

The board of directors is made up equally of representatives of the two shareholders.

Turkey's foreign debt rating lowered by S&P

By John Murray Brown in Ankara and Tracy Corrigan in London

Standard & Poor's has lowered Turkey's foreign currency debt rating from triple-B minus to double-B, taking the country's credit below investment grade.

Turkey was also placed on CreditWatch suggesting that its rating may be lowered further. S&P cited delays in implementing an austerity plan to tackle Turkey's economic crisis.

Earlier this week, the Treasury came close to defaulting on some $415m-worth of lira-denominated government bonds issued by the state-owned Public Participation Administration.

Banks involved say the PPA settled the amount in full, but only after a seven-hour delay. This was too late for many banks to transfer the funds electronically, so they incurred the cost of overnight borrowing to cover their positions.

Government finances are facing a growing liquidity shortage. However this is the first time Turkey has appeared close to a default.

The crisis came after the Treasury refused to provide finance, forcing the PPA into the interbank markets for an estimated $200m. This resulted in a scramble for funds pushing up interbank rates, which yesterday touched 450 per cent.

The PPA has an estimated $1bn of outstanding revenue sharing bonds. The two-year bonds are lira-based, dollar-indexed and redeemable at the central bank fixing rate.

Bankers say it is moot point whether they are considered foreign or domestic liabilities but the incident renewed bankers' concerns about Turkey's ability to service its foreign debt, which was about $64bn at end-1993.

Poland considers borrowing over $1bn

By Conner Middelmann in London and Anthony Robinson in Warsaw

Poland plans to borrow over $1bn on the international capital markets following the successful conclusion of its London Club negotiations for a reduction of up to 45 per cent in its $13bn commercial bank debt earlier this month.

Mr Henryk Chmeliak, the acting finance minister, told an FT conference in Warsaw that the Polish government was exploring the possibility of raising $1bn to $1.5bn through foreign bonds now that the London Club agreement has re-opened Poland's access to international markets on normal commercial terms.

According to Mr Ian Hume, director of the World Bank's Warsaw office, Poland needs higher foreign investment to fund the infrastructure investments needed to underpin sustained rapid growth. But the bulk of Poland's current $14bn to $16bn annual investment will continue to be financed domestically, he said, with an increasing proportion coming from domestic bank lending, re-invested profits and other non-bank finance.

At the same time, the relative importance of funding by international financial institutions will decline, while foreign direct investment will continue to rise sharply, he added.

INTERNATIONAL BONDS

Meanwhile, the Eurobond market's tense vigil for the US Federal Reserve's Open Market Committee meeting kept issuers and investors sidelined. Although the Fed's afternoon open-market operation indicated an unchanged policy stance, traders still expect an imminent tightening and predicted that, until it arrives, the primary market will remain deadly quiet.

What little demand there is remains focused on floating-rate notes, which are less sensitive to interest rate uncertainty than fixed-rate bonds.

This encouraged the Southern Australian Government Finance Authority to issue $500m of two-year FRNs paying three-month Libor flat, with a par issue price.

While some traders said the pricing was on the tight side, an official with lead manager Swiss Bank Corporation said the deal met solid demand, benefiting from the recent "demise of the fixed-rate market" and the recent build-up in cash by money market funds and bond investors looking for short-dated investments.

By late afternoon, it was trading around 99.95, he said.

● Germany's Landwirtschaftliche Rentenbank yesterday signed a Euro medium-term note programme worth $2bn, arranged by Merrill Lynch, and plans to issue an inaugural benchmark Eurobond within the next few weeks, it said.

The bank is a central refinancing institution for the German agriculture and food industries, channelling loans through commercial banks. S&P recently assigned a triple-A rating to its long-term debt. It is a frequent borrower in the German domestic market, where it has DM21.5bn of bonds outstanding.

● Moody's has upgraded to A3 from Baa1 the long-term debt ratings of the Birmingham Midshires Building Society, citing the company's improving profitability and financial fundamentals. Some £200m of debt is affected.

Moody's has also placed the credit ratings of the three UK mortgage-backed securities under review for possible upgrade. They are: Collateralised Mortgage Securities (No 4), rated Aa3; Platform Home Mortgage Securities No 1 plc, rated Aa1; and Stars 1 plc, rated Aa1. Around £780m in long-term debt is affected.

Seoul to ease domestic company finance rules

South Korea plans to ease rules on domestic company financing through securities markets and allow securities houses to expand their operations, Reuter reports from Seoul.

From April 1, manufacturing companies and small and medium-sized companies will be able to issue unlimited amounts of corporate bonds, the finance ministry said.

Manufacturing companies will also be free to raise capital via rights issues, while securities firms will no longer need prior approval to relocate branches, change names or invest in other brokers, the ministry said.

At present, the finance ministry sets limits on total corporate issues for a month. There are similar restrictions on rights issues.

In addition, the government will no longer require institutional investors to buy more shares than they sell or make capital contributions to the stock market stabilisation fund.

To encourage overseas portfolio investment, the ministry will adopt a "negative system", in which securities companies will now be able to engage in all foreign exchange dealings except for those prohibited by law.

Currently, the ministry has a "positive system" which bans all offshore portfolio investment unless otherwise permitted by the law.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.500	08/04	114.6900	+0.380	7.14	7.34	6.69
Belgium		7.250	04/04	99.6500	+0.270	7.30	6.99	6.88
Canada *		6.500	06/04	92.3000	-0.100	7.60	7.44	6.83
Denmark		7.000	12/04	101.1000	+0.150	6.85	6.58	6.49
France	BTAN	8.000	05/98	107.3750	+0.130	5.78	5.70	5.42
	OAT	5.500	04/04	93.1200	+0.220	6.45	6.15	6.05
Germany		6.000	09/03	97.5800	+0.550	6.34	6.16	6.00
Italy		8.500	01/04	94.4900	+0.340	9.37†	9.32	8.73
Japan	No 119	4.800	06/99	105.6710	-0.050	3.62	3.48	3.15
	No 157	4.500	06/03	101.3890	-1.290	4.29	4.07	3.49
Netherlands		5.750	01/04	95.3600	+0.480	6.40	6.11	5.98
Spain		10.500	10/03	110.5500	+0.650	8.81	8.67	8.38
UK Gilts		6.000	08/99	97-04	+11/32	6.65	6.48	6.18
		6.750	11/04	96-00	+17/32	7.35	7.07	6.78
		9.000	10/08	113-02	+23/32	7.51	7.24	7.03
US Treasury *		5.875	02/04	95-04	+4/32	6.56	6.46	6.06
		6.250	08/23	91-09	+6/32	6.95	6.90	6.61
ECU (French Govt)		6.000	04/04	93.7200	-	6.88	6.57	6.66

London closing, *New York mid-day. Yields: Local market standard.
† Gross annual yield (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime — Treasury Bills and Bond Yields

		One month	3.51	Two year	5.67
Prime rate	6	Two month	3.58	Three year	5.48
Broker loan rate	5	Three month	3.70	Five year	6.03
Fed.funds	3½	Six month	4.02	10-year	6.54
Fed.funds at intervention	-	One year	4.40	30-year	6.93

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	124.00	124.28	+0.04	124.76	123.98	63,935	64,273
Jun	123.48	123.76	+0.04	124.22	123.46	203,442	143,224
Sep	122.76	123.06	+0.06	123.42	122.76	1,547	12,358

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Apr	Calls Jun	Calls Sep	Puts Apr	Puts Jun	Puts Sep
123	1.19	1.95	2.00	0.36	1.21	1.94
124	0.58	1.46	-	0.78	1.63	2.42
125	0.25	0.99	-	1.37	2.10	-
126	0.06	0.64	-	-	2.79	-
127	0.02	0.36	-	-	3.54	-

Est. vol. total, Calls 27,890 Puts 23,288 . Previous day's open int., Calls 368,540 Puts 280,874.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.92	96.50	+0.53	96.60	95.84	160867	193626
Sep	95.72	96.24	+0.53	96.20	95.72	202	5095

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
9650	1.15	1.37	1.15	1.63
9700	0.91	1.17	1.41	1.93
9750	0.71	0.98	1.71	2.24

Est. vol. total, Calls 15128 Puts 24774. Previous day's open int., Calls 253251 Puts 217920

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	100.81	100.82	+0.22	100.85	100.81	65	2616

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	109.30	110.29	+0.66	110.70	109.30	46819	99528
Sep	-	109.84	+0.66	-	-	0	6

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
11000	2.61	3.32	2.32	3.48
11050	2.36	3.08	2.57	3.74
11100	2.11	2.86	2.82	4.02

Est. vol. total, Calls 2465 Puts 3377. Previous day's open int., Calls 66891 Puts 59897

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	99.80	100.46	+0.61	100.75	99.75	49,648	103,303
Sep	-	99.98	-	-	-	125	-

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	110-13	110-27	+0-23	110-28	110-12	293	11187
Jun	109-10	109-28	+0-23	110-00	109-05	65897	151200
Sep	108-16	109-00	+0-23	108-16	108-16	10	107

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
109	2-22	2-39	1-30	2-39
110	1-52	2-10	1-60	3-10
111	1-23	1-48	2-31	3-48

Est. vol. total, Calls 6535 Puts 3100. Previous day's open int., Calls 74623 Puts 60831

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	116.42	116.74	+0.06	117.00	116.42	2,163	5,787
Jun	89.80	90.12	+0.14	90.30	89.80	1,118	5,030

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	109-06	109-13	+0-05	109-19	109-02	6,907	19,905
Jun	108-09	108-16	+0-04	108-24	108-03	282,856	376,383
Sep	107-16	107-22	+0-07	107-27	107-16	3,677	39,550

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	109.33	-	-	109.60	109.20	1679	0

* LIFFE contracts traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue Mar 22	Day's change %	Mon Mar 21	Accrued interest	xd adj. ytd		Low coupon yield Mar 22	Mar 21	Yr. ago	Medium coupon yield Mar 22	Mar 21	Yr. ago	High coupon yield Mar 22	Mar 21	Yr. ago
1 Up to 5 years (23)	126.57	+0.14	126.40	1.98	2.38	5 yrs	6.66	6.73	6.68	6.91	6.96	6.95	7.02	7.07	7.12
2 5-15 years (24)	151.03	+0.37	150.48	1.61	3.75	15 yrs	7.42	7.48	7.89	7.52	7.58	8.20	7.79	7.83	8.40
3 Over 15 years (9)	170.21	+0.56	169.26	1.18	3.53	20 yrs	7.56	7.60	8.01	7.54	7.60	8.39	7.80	7.85	8.49
4 Irredeemables (6)	197.02	+0.32	196.39	3.03	1.47	Irred.†	7.69	7.72	8.42						
5 All stocks (62)	147.27	+0.33	146.78	1.70	3.24										

Index-linked							Inflation 5% Mar 22	Mar 21	Yr. ago	Inflation 10% Mar 22	Mar 21	Yr. ago
6 Up to 5 years (2)	186.50	+0.02	186.48	-0.16	2.53	Up to 5 yrs	2.75	2.75	2.33	1.93	1.92	1.41
7 Over 5 years (11)	180.41	+0.02	180.37	0.62	1.29	Over 5 yrs	3.37	3.37	3.42	3.21	3.21	3.23
8 All stocks (13)	180.15	+0.02	180.11	0.53	1.41							

Debentures and Loans						5 year yield Mar 22	Mar 21	Yr. ago	15 year yield Mar 22	Mar 21	Yr. ago	25 year yield Mar 22	Mar 21	Yr. ago
9 Debs & Loans (73)	138.11	+0.15	137.89	2.31	2.68	8.35	8.41	8.57	8.63	8.65	9.32	8.71	8.72	9.51

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Mar 22	Mar 21	Mar 18	Mar 17	Mar 16	Yr ago	High*	Low*
Govt. Secs. (UK)	99.05	98.82	98.72	99.55	99.94	96.99	107.60	96.85
Fixed Interest	119.79	119.45	120.14	120.96	121.37	112.84	133.87	112.94

GILT EDGED ACTIVITY INDICES

	Mar 21	Mar 18	Mar 17	Mar 16	Mar 15
Gilt Edged bargains	91.5	98.7	89.6	99.7	100.6
5-day average	95.6	96.8	97.0	96.5	94.6

* for 1993/94. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on March 22

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	95⅞	95⅝	+⅛	7.20
United Kingdom 7¼ 97	5500	104	104⅛		5.85
Volkswagen Intl Fin 7 03	1000	100⅞	101⅛		6.86
ABBEY NATL TREASURY 8 03 £	1000	100	100⅛	+¼	8.00
[illegible]					

FLOATING RATE NOTES [illegible]

CONVERTIBLE BONDS [illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. [illegible] CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. [illegible]

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or -	1993/94 High	1993/94 Low
Shorts* (Lives up to Five Years)							
Exch 13¼pc 1994		13.38	5.05	100⅞	—	109⅛	100⅞
Treas. 10pc Ln. 1994‡‡		9.89	5.04	101⅛	—	105¼	101⅛
Exch 12½pc 1994		12.12	4.99	103⅛	-⅛	110⅛	103⅛
[illegible]							
Treas 11¾pc 2001-4		9.46	7.47	121⅞		128⅞	116⅞
Funding 3½pc '99-4		4.51	6.51	77⅝			
Conversion 9½pc 2004		8.28	7.46	114⅞		125⅞	105⅞
Treas 6¾pc 2004‡‡		7.08	7.28	96		105⅞	94⅞
6¾pc 2004 A		7.03	7.28	96		104⅞	94⅞
[illegible]							

Index-Linked, Other Fixed Interest and remaining gilt listings: [illegible]

• 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

Bowater disappoints in spite of rise to £212m

By Neil Buckley

Bowater, the packaging, printing and coated products group, yesterday claimed success for its "bold" acquisitions strategy as it revealed a 44 per cent increase in full-year pre-tax profits from £147m to £212m.

However, the group's shares, after an initial 10p surge, reacted badly, closing down 39p at 453p.

Analysts said the good results had been expected and already discounted in the share price, and the market was disappointed by a cautious statement from Bowater.

The group said market conditions, especially in continental Europe, continued to be difficult, and a move to shorter order books and smaller orders had accelerated. Raw materials prices were also said to be rising, prompting concerns about margin pressure.

Trevor Humphries

David Lyon: demand is now showing some signs of improvement

But Mr David Lyon, chief executive, said demand showed some signs of improvement.

"Demand was down in the third quarter of last year, but came back in the fourth. Overall it's a little better."

The profit, at the top end of expectations, included an exceptional gain of £10.3m on business disposals, plus a £7m gain on foreign exchange translations

Mr Lyon said last year's acquisitions, totalling £403m, of Specialty Coatings International, the US coatings company, medical packaging company Tower, and MiTek, the connector plate manufacturer, had been integrated quickly and outperformed expectations.

An important task now was to exploit the links between different parts of the business to develop "value-added" products and ensure the group could offer integrated solutions to customers' needs.

Group turnover for the year to December 31 increased from £1.57bn to £2.14bn, including £318m from acquisitions.

Operating profits rose from £141m to £194m, with a £38m contribution from the acquisitions.

Operating profits in the UK and Ireland increased from £69.5m to £74.5m, in the Americas from £39.2m to £80.7m, and in Australasia from £13.9m to £22.8m. Profits in continental Europe fell from £16.4m to £14m. Operating margins increased from 9 to 9.1 per cent.

A £61m cash inflow from operations, before acquisitions and rights issues, helped reduce debt from £276m to £262m. Gearing fell from 56 per cent to 40 per cent.

Bowater is proposing a final dividend of 7.25p, lifting the total from 11.1p to 12.55p. Earnings increased from 24.4p to 28.2p a share.

Computer problems take toll on Dorling

By Andrew Bolger

Dorling Kindersley Holdings, the publisher of highly illustrated reference books, reported a 17 per cent decline in pre-tax profits to £3.51m and said computer problems at a distributor had affected sales growth and increased costs.

Sales increased by 17 per cent to £45.13m in the six months to December 31.

The publisher's shares, which more than doubled after being floated at 165p at the end of 1993, fell sharply in December after the group issued a profits warning. The shares yesterday closed 2p higher at 266p.

Mr Peter Kindersley, chairman and chief executive, confirmed December's forecast that pre-tax profits for the year to June 30 were expected to be somewhat less than the £9.65m achieved previously.

DK said it had experienced problems over distribution by Tiptree Book Services to bookshops and, in particular, to DK Family Library, which sells directly to homes and schools. Tiptree had been replaced as distributor for Family Library and its services to bookshops had improved, although DK continued to monitor the situation.

Mr Kindersley said DK was pursuing a legal claim against Tiptree for loss of revenue and additional costs, but had been advised not to disclose its estimate of the financial impact to date.

Tiptree, which is owned by Random House, the US publisher, said it refused to be made a scapegoat for the failure of DK to meet the expectations which its management had raised among shareholders. It would be misleading to suggest that any compensation which DK might obtain from Tiptree would have any significant impact on the bottom line of the company's performance.

Another area of disappointment was DK Education, which supplies teaching packages to schools.

Earnings per share fell to 3.3p (4.7p), but the interim dividend was held at 1.1p.

Butte loss static at £355,000

By Kenneth Gooding, Mining Correspondent

Butte Mining, the UK company whose main activity is prosecuting US lawsuits – it is seeking damages of up to $1bn (£670m) from former managers and promoters – has reported a pre-tax loss of £355,000 for the six months to end-December and the result for the full year is not expected to be any worse than this.

The interim result is little changed from the £336,000 deficit in the same period last year.

Mr David Lloyd-Jacob, chairman, said the past six months "have been frustrating, with no action by the Federal District Court judge in Montana on any of the substantive motions in front of him."

"Until the judge rules on these motions, a court date cannot be set. We have developed an extremely strong case and look forward to the opportunity of presenting it in court," he added.

In the second half of this year, Butte expects to finish restructuring and floating VAM, an Australian gold company, and to receive about A$800,000 (£394,000) from this transaction.

This will provide funding to develop some of the company's property in Montana.

Dilemma of divided loyalties

Tim Burt on the key to the outcome of GKN's bid for Westland

Two institutional investors holding the key to the outcome of GKN's £497m hostile bid for Westland are about to be barraged by lobbying from the two sides.

M&G and Schroders are not relishing the prospect. As the largest institutional shareholders in both companies, they are in the uncomfortable situation of being asked to play King Solomon with Westland's future.

Their dilemma will be underlined by forceful lobbying by Mr Alan Jones, Westland chairman, who claims his company's best interests lie in independence; and by Sir David Lees, his GKN counterpart, who is seeking an enlarged defence business.

With 12 per cent of Westland and 5.5 per cent of GKN, M&G admits it could make a case for supporting either side. The sentiment is similar at Schroders, which has 13.5 per cent of the helicopter company and 4.4 per cent of the engineering group. But to the chagrin of Sir David, they have so far leant towards the Yeovil-based helicopter maker.

Their task has been made easier by GKN's 290p a share offer, launched seven weeks ago at a 5 per cent discount to the market price. The move prompted a sharp rise in Westland's shares to 333p, but they fell back after GKN vigorously attacked Westland's prospects. They closed yesterday at 326p.

Before even entering into any arguments about prospective helicopter orders or synergies with GKN's armoured vehicles business, the institutions simply point to the price and say it is inadequate.

Mr Richard Hughes, director of investment management at M&G, says: "The shares are trading well above 290p. We will make our decision on the offer as Westland shareholders, irrespective of our commitment to GKN."

Such comments – echoed at Schroders – raise the hackles of GKN executives, who complain that the institutions must start looking at the takeover as their shareholders too.

For them, Westland would not only immediately quadruple the turnover of its defence business to more than £500m a year, but would transform the tax profile of the whole group.

The helicopter group's UK profits would enable GKN to recoup a large chunk of Advance Corporation Tax, which it has been forced to write off in the past because of its high proportion of overseas earnings.

By increasing UK sales to 40 per cent of turnover, Westland would bring GKN's total tax rate closer to the 33 per cent average from 38.7 per cent last year, when it wrote off £7.9m of unrecoverable ACT.

While admitting Westland would "impact favourably" on GKN's overall tax rate, the Midlands-based group argues that such a marriage would also be blessed by logistical and marketing advantages, especially in lucrative export markets.

It has also held out the prospect of financial support to bolster Westland's balance sheet, which it suggests may not be strong enough to sustain strong demand for civil variants of the EH101 helicopter – should that materialise.

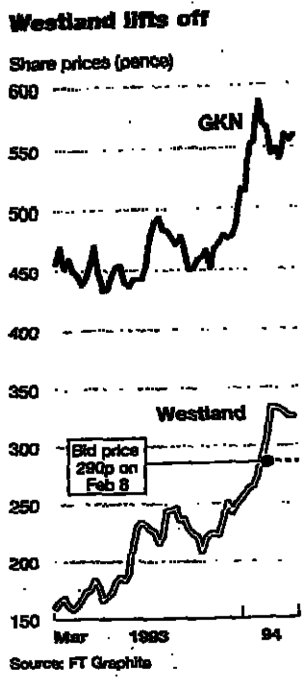
Defence industry analysts are not convinced. They see GKN's motives as purely fiscal.

"If Westland is so attractive, then GKN will have to dig deeper into its pockets and find a little more," said one analyst.

Several analysts also suggest that the offer price reflects GKN's expertise in extracting a good deal from United Technologies, which agreed to sell its 18.7 per cent Westland holding for £75m at 290p a share.

However, with 45 per cent of Westland under its belt, GKN appears wedded to 290p. Sir David claims the price already includes a premium to Westland's underlying value and is a fair price in the face of uncertain future prospects.

Helicopter orders may be picking up, he says, but they are not as rosy as Westland claims. Describing Westland's sales estimates as over-optimistic, Sir David warns: "Westland does not and cannot project when profits will support the current share price."



Source: FT Graphite

He points out that Westland's prospects would have to grow remarkably from the one delivery scheduled this year to meet in 2000 its estimated 39 deliveries of which 12 are already on order and 27 as yet prospects.

Mr Jones claims the market has already given GKN the thumbs down. He denies suggestions that Westland's shares have been boosted by bid speculation and its success last year in extracting a £385m damages award, still under appeal, from the Arab Organisation for Industrialisation.

"The offers were made below the market price and include no premium for our potential, for control or for the tax advantages to GKN," he says.

Having sparred for several weeks, the two chairmen are now putting the final touches to their institutional presentations.

Westland is likely to promise M&G and Schroders sizeable earnings growth if they stick with the company as its production expands.

GKN will argue that Westland would fare even better as part of a larger group, and that the institutions would benefit from its upside potential anyway as shareholders in GKN.

Keen to win City support for its argument, the engineering group has also pointed to a report published last week by UBS, the securities house. Taking a forecast of orders 28 per cent higher than Westland's own, it produced a best case scenario for the year 2002 that gave Westland's shares a present value of 306p on a cashflow basis and 275p on an earnings basis.

The same report, however, argues: "Westland's strong product range, cost base, and order book is producing rapidly accelerating earnings and dividend growth. The tax benefits available to GKN make Westland worth up to 400p per share, rather than the 290p it has offered."

Faced with increasingly hostile arguments, the institutions are sitting tight and waiting for the combatants to fire the next salvo.

That is expected next Monday, the deadline for Westland to release new information relevant to the bid. It is expected to make a buoyant trading forecast, pointing to profits of at least £36m (£30.5m) this year despite continuing uncertainties in the defence and aerospace market.

Despite Sir David's protestations that GKN has made a fair offer, the institutions sense that the tax incentive will be enough to persuade him to up his bid – albeit marginally.

"Buying a growing company at a depressed point in the market, which also comes with tax advantages, is a very attractive option," says one institutional investor.

Warning GKN that there is little prospect of it accepting the bid at the current price, another institution warns: "GKN and Westland are going to have to live together whether the bid stands or falls. Sir David knows the game, and he knows we won't accept this offer."

Clyde Petroleum cuts loss to £23.4m

By Peggy Hollinger

Clyde Petroleum, the lossmaking oil and gas exploration company, yesterday warned that a return to profitability was uncertain as long as the oil price remained at historically low levels.

Mr Malcolm Gourlay, chief executive, said that in a climate of weak oil prices, a return to profit and to the dividend list depended on two main factors: the speed at which Clyde could build up production and the level of exploration write-offs.

This latter factor, which writes off unsuccessful exploration as incurred, was "unpredictable," said Mr Gourlay.

The group was seeking to reduce the exposure to such factors by reining in exploration. Expenditure on new prospects was £18m last year, against £30m previously. Clyde was further reducing exploration investment to £10m this year.

The group spent £93.6m on development, against £17.46m last time. Some £36m was budgeted for development this year.

Clyde reported lower net losses of £23.4m for the year to December 31, against a £39.8m deficit last time. Sales were 2 per cent lower at £81.6m.

The company enjoyed a series of one-off gains which helped to reduce losses. These included an £8.3m fall in exploration costs to £34m, a tax clawback of £5m, and lower provisions of £7.2m (£11m) on the carrying value of assets.

The company also benefited from the hedging of 80 per cent of its production at an $18 oil price. Some 24 per cent of this year's output was hedged at $17, Mr Gourlay said.

Clyde expected to increase production by 60 per cent this year, largely because of the inclusion for a full year of output from the North Sea Gryphon field. Last year Clyde staged a £34m rights issue to develop this field.

"At the moment we are disappointed that benefit comes in juxtaposition with a historically low oil price," Mr Gourlay said.

Analysts greeted the results with a certain degree of resignation. Borrowings of £188.7m, representing 110 per cent of shareholders' funds, remained higher than expected.

The group was also not showing a great deal of success in the exploration carried out to date, even though it has been attempting to reduce the risk through farming out interests.

As in previous years, there was no dividend. Losses per share were halved to 6.2p.

Proven and probable reserves fell by 8 per cent to 164.4m barrels of oil equivalent.

CE Heath decides to axe six reinsurance jobs

By Andrew Jack

CE Heath, the insurance broker, yesterday made six of the staff in its reinsurance division redundant, including the joint managing director of its LMX operations.

The surprise notification of compulsory redundancies yesterday at the company follows restructuring over several years of similar excess insurance divisions at many other brokers.

Mr Tim Broadhurst, managing director of Heath Fielding, confirmed that Mr Paul McCarthy, joint managing director, one junior director and four staff had been made redundant.

He said that there were no plans to replace these staff and that Mr Dennis King, the other joint managing director, would take charge.

He stressed that the functions provided would continue for the foreseeable future and that he anticipated no reduction in the volume of business. He said that division remained "extremely profitable."

"There are no problems, no further redundancies and the numbers will reveal all in due course," he said.

"LMX is a word disappearing from our vocabulary but we will still have a retro division."

Cost-cutting helps UDO advance 32% to £1.85m

By Tim Burt

UDO Holdings, the supplier of drawing office equipment and reprographic services, yesterday hailed a cost-cutting programme and emphasis on high margin products as the main factor behind a 32 per cent increase in interim profits.

In the six months to January 31, pre-tax profits rose to £1.85m (£1.4m). This was despite reduced turnover of £23.1m (£23.9m) as the group's traditional businesses continued to suffer the effects of recession.

Mr Mike Wright, chairman, said the improvement reflected savings achieved by a redundancy programme and renewed emphasis on higher margin products.

The workforce has been cut by 10 per cent to 900, and Mr Wright said he had been encouraged by growing demand for the group's colour imaging equipment.

"The colour imaging centres, established last year and representing a very substantial investment, are now contributing to group profits," he added.

Earnings per share rose to 4.25p (3.22p), and the interim dividend is up to 2.22p (2.07p).

The group ended the year with net cash of £14.4m and said it was considering acquisitions.

Metalrax to expand as profits pass £8m mark

By Tim Burt

Metalrax Group, the precision components, houseware and storage equipment group, yesterday said it was planning to expand its UK and North American operations following a 7 per cent increase in profits.

The Midlands-based group made pre-tax profits of £8.02m in the year to December 31, compared with a restated £7.47m last time.

The company said it was well placed to make acquisitions on both sides of the Atlantic and was already discussing two bids.

Such acquisitions are likely to be funded from year-end net cash balance of £6.3m (£5.3m) or by offering equity to potential subsidiaries.

Expansion of the group last year helped turnover rise 10 per cent to £71.3m.

Mr Eric Moore, managing director, said the performance of the precision components division showed the sharpest improvement and now accounted for 50 per cent of sales and profits.

The business was augmented at the year-end by the £1m acquisition of Western Body Hardware, the specialist locks business.

Mr Moore also hinted at further expansion of the houseware division, representing 30 per cent of turnover, following its takeover of Fabricote, the supplier of non-stick materials.

The new subsidiaries increased the workforce to more than 1,500.

Earnings per share were 6.36p (6.27p) and the final is raised to 3p (2.73p), taking the total to 4p (3.64p). A 1-for-10 scrip issue is proposed.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Allied London ......int	1.18	July 1	1.075	-	3.53
American Trust ......fin	3.6	-	3.4	5.4	4.9
Antofagasta ......fin	15†	June 9	14	21	20
Appleyard ......fin	2.9†	May 12	2.6	5.5	5.2
Avonmore Foods ......fin	2‡	June 15	1.85	3.55	3.5
Berry Starquest ......fin	2.2	Apr 29	2.2	2.2	2.2
Bourne End ......fin	0.25†	July 5	1	1	1
Bowater ......fin	7.25	June 1	6.65	12.55	11.13
BSG ......fin	2.5	June 3	2.5	3.2	3.2
Derwent Valley ......fin	6.05†	May 27	5.7	9.1	8.6
Dorling ......int	1.1	May 27	1.1	-	3.3
Holders Tech § ......fin	4	May 4	4	6	6
Iceland ......fin	2.6	May 27	2.3*	3.8	3.35*
Law Debenture ......fin	12.75	Apr 30	12	19.25	18.25
Lilliput ......fin	0.6	May 20	-	0.6	-
Lincat § ......int	2.2	Apr 22	2	-	6
Lon & St Law'ce ......int	3.12†	May 23	3.64	-	4.12
Mayborn § ......fin	3.9	May 31	3.4	5.7	5
Metalrax ......fin	3	June 3	2.73*	4	3.64*
Prudential ......fin	8.7	May 25	7.8	13.2	11.9
Quicks ......fin	3†	June 9	2.75	5	4.5
River & Merc Am ......fin	2.4	May 18	2.4	7.8	7.8
RPS § ......fin	1.3	May 13	1.2	2.4	2.2
Secure Trust ......fin	10.5	May 24	9.5	15	13.5
Trace Computers ......int	0.55	May 16	0.55	-	1.45
Trinity Intl ......fin	6.7	Apr 29	6	9.7	8.7
Try ......fin	nil	-	0.5	0.5	1
UDO Holdings ......int	2.22	May 20	2.07	-	7.2
UK Safety ......fin	1.56	July 1	3	2.6	5

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡Irish pence throughout. *Equivalent after adjusting for scrip issue.

BSG hit by slowing orders and recession

By Tim Burt

BSG International, the vehicle distribution, childcare products, motor and aviation equipment group, yesterday blamed a 27 per cent decline in 1993 operating profits on falling demand for automotive and aircraft components.

The Midlands-based group saw operating profits fall £5m to £13.2m as its businesses suffered under the twin impact of recession in continental Europe and slowing orders for new aircraft.

Although pre-tax profits rose to £10.6m from a restated £7.5m, the group said this increase was due mainly to a £1.6m profit on the sale of one its Midland plants and reduced interest payments.

Mr Richard Marton, chief executive, said pre-tax profits would have been higher had it not been for £1.1m of redundancy and restructuring costs, mostly at its Rumbold aircraft interiors subsidiary where the workforce was cut by 10 per cent to 750.

The company, part of the group's consumer and special products division, suffered from a 30 per cent reduction in new aircraft under construction. The division, which also saw recession hit demand for its childcare products in Europe, reported a 43.6 per cent decline in operating profits to £4m. Automotive components, previously the group's largest division, endured an even sharper fall as operating profits slumped 62.2 per cent to £2.7m.

Mr Marton said: "We're being dragged down by problems in Europe. The car market is in a mess and will remain so for the rest of this year."

The problems were partially offset by an upturn in UK vehicle registrations and used car sales, which helped the vehicle distribution and leasing business increase profits by 62 per cent to £6.5m (£4.1m).

Together the three divisions lifted group turnover to £573.9m (£555.1m).

Mr Marton, meanwhile, said the group was committed to disposals of peripheral businesses. "We want to eliminate the problem areas of the group as far as possible," he said.

Earnings per share came out at 2.43p (1.57p) and the final dividend in unchanged at 2.5p, maintaining a 3.2p total.

● **COMMENT**

Despite BSG's disappointing operating performance, its shares fell just 1¼p yesterday to 77½p. The market's flat reaction reflects a willingness to believe that BSG will make the right restructuring decisions. Although the company remains tight-lipped about its intentions, it is thought to be reviewing some of its operations in continental Europe and how to extract greater earnings from its core businesses. Forecast pre-tax profits this year of £16m indicate that BSG is at the bottom of its business cycle and should benefit from new orders, but on a multiple of 18.9p, the shares remain an expensive option.

Bupa advances 13% to £41.2m

By Bethan Hutton

Bupa, Britain's largest private medical insurer, achieved a 13 per cent improvement in pre-tax profits to £41.2m for the year to end-December 1993.

The figure, which compared with £36.5m for 1992, was struck after taking account of a £4.9m rise in exceptional costs to £18.9m.

The underwriting surplus grew to £18.8m (£7.6m) before exceptionals, because of an improvement in the loss ratio, which expresses benefits paid as a percentage of subscription income. The ratio figure for 1993 was 81.1 per cent compared with 82.2 per cent in 1992.

The results show a continued strengthening from 1990, when the association incurred a loss of £38.2m, and 1991 when there was a pre-tax profit of £1.3m.

Exceptional costs reflected the restructuring of Sanitas, the group's Spanish subsidiary, and property write-downs in the UK.

Reserves grew by £79.9m to £429m last year and the group's solvency ratio increased from 43 per cent to 53 per cent.

Operating profits from the health services division, which runs hospitals, screening centres and nursing homes, improved from £22.1m to £25.7m. The advance was attributed mainly to greater efficiency.

Bupa's market share has fallen in recent years as new providers have entered the market. According to the Monopolies and Mergers Commission its share has declined from 59 per cent in 1985 to 44 per cent in 1992.

However, the group says its customer base has now stabilised and if, as appears likely, the market has contracted overall this year, that may mean its market share has improved slightly.

There was considerable speculation last year that Bupa was planning to swap its provident association status for a market listing, but the group now says it has no plans to go public in the near future.

Expanding Appleyard up at £5m

By Paul Taylor

Appleyard Group, the North Yorkshire-based motor dealer, yesterday announced the acquisition of five passenger car dealerships from Whitworths Holdings, the private flour milling group, and at the same time unveiled a sharp increase in 1993 pre-tax profits from £223,000 to £5.12m.

The acquisition is for £10.2m cash and will be funded from the £16.4m proceeds of last September's 3-for-10 rights issue. The mixed franchise dealerships being acquired showed a combined operating loss of £100,000 last year on turnover of £44.6m and had estimated net assets of £8.9m including £5.9m of property assets.

Mr Mike Williamson, chairman and chief executive, was confident the financial performance of the dealerships could be improved. He said the deal was a further step in the group's national growth strategy.

The group's profit was achieved on turnover up 20 per cent to £366.9m (£305.5m). Operating profits were £5.9m (£1.94m).

Mr Williamson said the passenger car business benefited from the stronger new car market while used car volumes and margins firmed as the year progressed.

The group has continued its multi-franchising strategy and now has 15 sites with two or more franchises – two of the Whitworths' dealerships are also multi-franchise.

As part of the plan to widen its commercial vehicles interests the group acquired WSM Motors, a Mercedes-Benz operation in Bristol and Yeovil in November.

Trading profits from the group's associated contract hire and leasing business increased by 72 per cent to £1.5m.

Net interest costs fell to £2.3m (£3.61m).

Earnings per share increased from 0.8p to 6.8p and the final dividend is raised to 2.9p (2.6p) making a total of 5.5p (5.2p).

● **COMMENT**

Appleyard continues to benefit from the effects of operational gearing following its cost reduction programme with incremental volume improvement producing disproportionate profit gains. In terms of the outlook profits from new and used car sales are continuing to improve and the after sales market is strong. The group's multi-franchising strategy makes sense and the acquisition – which looks sensibly priced – will broaden its geographic reach. Further acquisitions are likely. Pre-tax profits should reach £8.5m this year producing earnings per share of 9.6p and a orospective p/e of 16.1.

Try in the red and calls for £5.6m

By Andrew Taylor,
Construction Correspondent

Try Group yesterday became the latest company to announce a rights issue to finance land purchases and take advantage of the housing market recovery.

The company is seeking to raise £5.6m via a 3-for-5 share issue at 23p apiece.

Try, at the same time, announced a £2.17m pre-tax loss for the year to end-December after property and rationalisation provisions of £1.74m. This compares with a restated loss of £810,000 for 1992.

The scale of the losses and provisions had been signalled by the company earlier this year, and the shares fell 3p to 30p.

Because it has taken £6.7m of accumulated losses from the housing division onto the group balance sheet, the company has insufficient distributable reserves to pay a final dividend leaving the total pay-out for the year at 0.5p (1p).

In order to resume dividend payments Try is seeking shareholder and court approval to reduce its share premium account by the appropriate amount.

Mr Peter Howell, chief executive, said it was the company's intention to pay a total net dividend of 1p for 1994. Losses per share were 5.12p (4.23p).

Group turnover rose to £124m (£118m).

The contracting division made an operating profit of £1.24m on sales of £116m. Two thirds of a record £126m order book was negotiated work which tended to command higher margins than work won on competitive tender, said Mr Howell.

Housebuilding incurred an £890,000 loss, mainly because of the timing of developments on more expensive land bought by the group during the late 1980s. The number of homes sold also fell, from 201 to 152.

The rights issue has been underwritten by Lazards.

● **COMMENT**

Try's decision to expand housebuilding, closing operations in East Anglia and Scotland and concentrating in south-east England, looks a little belated compared with others in the sector. It is a good contractor achieving better than average profit margins throughout the recession. Its record in residential and commercial property is less impressive. The rights price, however, is at a sufficient discount to make this a worthwhile investment if the new housebuilding team performs, but it is a risk. At an ex-rights price of 29p the company is on a prospective p/e of almost 20 on pre-tax profits of £1m in 1994 and a p/e of 11 on £2m in 1995.

Mayborn increases 19% to £4.24m

Mayborn Group, involved in the packaging and distribution of consumer goods to the retail trade, achieved a 19 per cent rise in pre-tax profits from £3.55m to £4.24m in the year to December 31.

The largest rise came from the fabric dyes division with operating profits ahead to £1.94m (£1.52m). Baby products contributed £3m (£2.91m) while losses at florists' sundries deepened to £28,000 (£19,000). Mr Ian Peacock, chairman, said it could be some time before that division returned to profitability.

Turnover of this USM-quoted concern grew 11 per cent to £39.9m (£36.1m) and the pre-tax result was after net interest payable of £120,000 (£311,000).

Earnings per share were 14.3p against 12.4p and a final dividend of 3.9p (3.4p) lifts the total to 5.7p (5p).

CMG ahead and plans flotation next spring

By Alan Cane

Computer Management Group, a privately held computing services company operating chiefly in the UK and continental Europe, achieved increased turnover and profits before tax in 1993.

The company has, subject to market conditions, decided to float on the London Stock Exchange in the spring of 1995 through a placing that will value it at about £130m.

Turnover for 1993 reached £128.8m, an increase of 19 per cent on the previous year's £107.8m, and pre-tax profits rose by 28 per cent to £11.1m.

Earnings per share, however, at 35.4p fully diluted were only slightly ahead of the 35.3p recorded last time.

Mr Chris Banks, group finance director, said that although the company had grown some 5 per cent in Germany it had lost money there, leading to tax charges which could not be offset against losses. As a result, the tax charge grew from £3.3m to £5.8m.

Growth had been strong in the Netherlands, helped by two small acquisitions, but weak in the UK. There were signs that the latter was improving and the company would continue to grow in 1994.

CMG is an employee-owned company with some 1,800 shareholders comprising employees, former employees and close relatives. A dividend for the year of 13.1p will be paid. Dividend cover is 2.6 times.

Mr Banks said the company had decided to come to the market to improve its scope for growth, to provide liquidity for existing shareholders and to underline the company's public image.

Kleinwort Benson will be adviser to the flotation.

Allied London leaps to £5.75m

By Simon Davies

Allied London Properties, the property investment company, yesterday reported doubled pre-tax profits of £5.75m in the six months to December, against £2.89m last time.

Sir Geoffrey Leigh, the chairman, said the upswing in the property market "accelerated in the last quarter of 1993, with an improvement in yields, and there are also some indications of renewed tenant interest in expanding their requirements".

This bullish view has been reflected in the £41m invested by Allied London since the start of the current fiscal year.

Net rental income at the interim stage was £10.3m (£9m), and the company reported a £957,000 profit from the sale of an investment property, and a further £695,000 from short-term investments. Interest payments were stable at £5.4m.

Allied London has utilised cash balances, which stood at £16m in June, to acquire Pelham Homes from the Rosehaugh receiver. The transaction was completed in December for £3m, and Pelham carried a further £14m of debt.

Pelham owns a substantial land bank in south east England, and Allied London plans to add value through improved planning consents, and then trade the sites, against the background of rapidly increasing land prices for the housing market.

Allied London's gearing is currently around 100 per cent, but this is based against June 30 property valuations. The company said it was actively seeking further investment opportunities.

Allied London will pay an interim dividend of 1.18p (1.075p). Fully diluted earnings per share amounted to 4.1p (2.5p).

UniChem in £2.44m buy

UniChem, the pharmaceuticals wholesaler, has has bought EA Brocklehurst, which operates 10 pharmacies throughout Humberside, for £2.44m, writes Rebbeca Rea.

The consideration for Brocklehurst will be met by the issue of 220,604 ordinary shares of 10p each and the issue of loan notes totalling £420,000; the rest will be paid in cash.

Seven of the pharmacies will become Moss Chemists, the brand name of UniChem's E Moss subsidiary, while the other three have been sold back to two former Brocklehurst directors for £457,000.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 23.03.94: Pool purchase price £/MWh	Final Prices for Trading on 23.02.94: Pool purchase price £/MWh	Final Prices for Trading on 23.02.94: Pool selling price £/MWh
0030	10.89	16.88	16.68
0100	15.61	16.75	16.75
0130	15.63	18.65	21.42
0200	15.63	18.65	21.42
0230	10.97	18.29	21.08
0300	15.61	18.29	21.08
0330	15.61	16.90	16.90
0400	10.89	16.75	16.75
0430	10.82	16.68	16.68
0500	10.82	16.61	16.61
0530	10.82	16.65	16.65
0600	10.89	16.66	16.66
0630	10.83	16.92	16.92
0700	15.63	17.06	17.06
0730	15.71	19.22	22.00
0800	14.93	19.36	22.16
0830	15.11	19.70	22.62
0900	15.11	20.69	23.61
0930	16.45	22.94	26.24
1000	16.45	23.58	27.00
1030	16.45	22.24	25.66
1100	16.45	22.74	26.26
1130	16.45	24.87	28.66
1200	16.04	25.51	29.31
1230	16.46	24.76	28.41
1300	16.45	23.18	26.52
1330	16.03	18.09	18.09
1400	15.11	17.49	17.49
1430	15.11	17.21	17.21
1500	15.11	17.14	17.14
1530	15.11	17.08	17.08
1600	15.11	17.23	17.23
1630	16.45	17.77	17.77
1700	16.04	23.65	27.14
1730	16.45	26.28	30.60
1800	16.45	31.52	36.55
1830	15.12	31.67	36.76
1900	16.09	27.99	32.16
1930	16.51	23.58	26.82
2000	16.50	19.47	22.33
2030	16.45	19.03	21.81
2100	16.44	18.72	21.49
2130	16.11	18.00	21.77
2200	15.71	18.22	20.99
2230	15.65	16.88	16.88
2300	15.61	16.61	16.61
2330	10.89	16.56	16.56
2400	10.80	16.56	16.56

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.89/MWh becomes 1.689p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to acquire such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.
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LONDON STOCK EXCHANGE DEALINGS

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The Saturday selection changes frequently, according to the volume of trading in individual stocks registered by the Stock Exchange during the week ending on each Thursday. Thus it no dealings take place in a stock, it will not be included in the following Saturday Dealings page.

UK newspapers contributed lion's share of turnover and profits

Trinity rises 32% to £19.9m

By Ian Hamilton Fazey, Northern Correspondent

Trinity International, the Chester-based regional newspaper publisher, made pre-tax profits of £19.85m last year, an increase of 32 per cent on 1992's £15.09m, which was restated in accordance with FRS 3.

Operating profits jumped from £16.1m to £20.85m, including £418,000 from acquisitions.

Mr Philip Graf, chief executive, said: "This is our best *operational performance to* date."

Trinity, which owns daily newspapers in Liverpool and *weeklies in Merseyside*, North Wales, Canada and the US, has changed tack since 1989 by divesting from paper making and concentrating on newspaper publishing.

Last year it fully integrated Scottish and Universal Newspapers, bought in 1992, and spent £12.4m buying Huddersfield Newspapers and £23.2m acquiring the newspaper interests of Argus Press, based in southern and south-east England.

Turnover advanced by 16.5 per cent from £115.4m to £134.4m with UK newspapers responsible for £79.4m – 59 per cent of sales compared with 54 per cent.

UK newspapers also made the lion's share of profits with £15.7m, or 75 per cent of the whole.

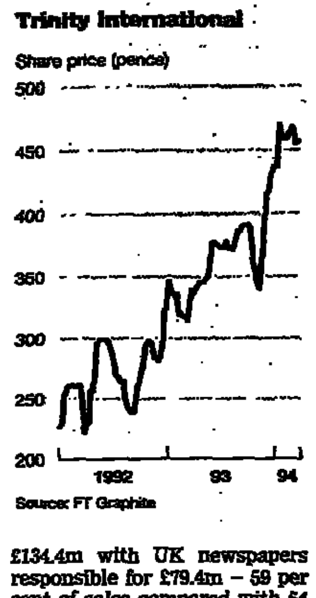
Canadian and US operations benefited from senior management changes, new titles and marketing initiatives, improving profit contributions to £2.99m (£1.77m) *in Canada* and £2.17m (£1.81m) in the US.

Mr Graf said Trinity would be trying to expand further by innovation, product development and acquisition, but was not at present involved in serious discussions over buying more newspapers.

Gearing rose from 14.5 per cent to 50 per cent, reflecting the latest acquisitions.

Earnings per share show a 40 per cent rise to 20.2p (14.4p restated).

A proposed final dividend of 6.7p (6p) lifts the total by 1p to 9.7p.



Philip Graf: best operational *performance to date*

● **COMMENT**

Profitability in the regional press is notoriously *dependent* on local classified advertisements for jobs, homes and second-hand cars, as well as display advertisements by retailers. If Trinity is to keep it up, the strength of the UK recovery will become more important as acquisitions become harder to find. Short-term, however, Trinity has one last cost squeeze to exploit: the Argus titles *acquired in November* are among the last in western *Europe where journalists* still use typewriters. Moving to *computerised direct input* and cutting out a stage in the production process *should yield* substantial gains in productivity and profitability over the next two or three years, though managing such change in the newspaper industry always carries some risk of conflict and interruption to revenues.

Sema sells I-Linie software for £1.5m

By Alan Cane

Sema Group, the Anglo-French computing services company, has abandoned attempts to *succeed* in the marketplace with I-Linie, the manufactur*ing management* software it hoped would be the cornerstone of *its packaged software* business.

The directors said yesterday that the company had sold the I-Linie business to CGI, a French subsidiary of International Business Machines, for about £1.5m cash. The deal is subject to the approval of the German competition board.

Sema, which had turnover last year in excess of £500m and pre-tax profits of £24.9m, acquired I-Linie through the purchase of ADV Orga, a Ger*man* software packages company in 1989. It has since *spent* several million pounds of research and development funds, *in conjunction* with IBM, to develop the product.

I-Linie, a financial, accounting and human resources package was seen by Sema as competition for R3, a successful package from SAP, the German software house.

Sema's corporate plan calls for the company to achieve 60 per cent of turnover from systems integration, 25 per cent from facilities management and 15 per cent from software packages. The company's packages *business*, excluding I-Linie, currently accounts for 5 per cent of turnover.

The directors stated that the company would retain a presence in the software packages which it continued to see as strategic to its development.

Lincat up 25% but warns on full year

Lincat Group, USM-quoted designer and manufacturer of commercial catering equipment, lifted *pre-tax profits* by 25 per cent to £688,000 in the *first half* of 1993. *But Mr* Martin Craddock, chairman and *chief executive, said he was* cautious about the outcome for the full year.

The shares fell 9p to 220p yesterday.

The profit was achieved on a 10 per cent rise in turnover from £6.51m to £7.17m, but behind the result there was a *mixed response from the sub*sidiaries.

Mr Craddock said that the main subsidiary, Lincat, had a good *first* half with *turnover* up 18 per cent and profit 11 per cent.

At Colnbrook turnover was held *and there* was a *small* profit compared with a loss. Because of the way contracts fell, turnover at Corsair fell by 9 per cent with marginally reduced profits but there was progress in most areas.

Douglas lifted turnover by 10 per cent and profit by 29 per cent. Sales of Lincat in the US grew by 36 per cent.

Mr Craddock said current order levels were slightly lower than could normally be expected at this time. However, the interim dividend is increased from 2p to 2.2p – last time a total of 6p was paid from profits of £1.4m.

MTM share placing to help fund £12m acquisition

By David Wighton

MTM, the chemicals company which sold most of its businesses last year to repay its bankers, is proposing its first acquisition since its financial reconstruction.

It is to pay up to £11.8m for *Colin Stewart Minchem, a min*erals and chemicals processor *which was a £5.5m manage*ment buy-out from Benjamin Priest in 1989.

The purchase will be funded partly by a placing of 9.7m shares at 60p, for which existing investors can apply on a 3-for-8 basis.

Hill Samuel, the merchant bank, *has also* placed most of the shares which MTM's bank*ers agreed to swap for £28.9m* of their loans last April.

In August, MTM outlined a new strategy of acquiring technology-related businesses which are either profitable, cash-generative and with a strong management team, or are emerging businesses which are expected to be profitable within 12 months.

Colin Stewart Minchem falls into the first category. Based in Winsford, Cheshire, it processes minerals and chemicals mainly for the detergent industry which accounts for 80 per cent of its sales.

One of the three leading *detergent companies provides* a "substantial" proportion of *its gross profits*.

Ignoring one large contract in 1991 sales and operating profits of CSM have risen steadily, reaching £10.7m and £2.08m respectively in the 12 months to March 1993.

Mr David Swallow, MTM chairman, said the initial consideration of £10.5m represented 9.5 times fully taxed *earnings for last year with the* multiple dropping to 6 if the vendors *earn* the *additional* consideration of £1.3m. This requires operating profits of £2.8m next year.

After the acquisition MTM will have net cash of £5m and net assets of £15.8m.

MTM also announced a pre-tax loss of £12m for 1993, down from £59.2m in 1992. The remaining agrochemicals business made an operating profit of £300,000 on turnover of £21.1m.

After head office costs the continuing activities made an operating loss of £818,000.

Broker Hoare Govett is provisionally forecasting profits of *£2m this year for earnings* per share of 5p after 15 per cent tax.

● **COMMENT**

Given the valuations of most chemicals companies these days this deal looks almost suspiciously cheap, though there is always a risk of Colin Stewart's main customer walking away. *MTM* will now be hard pushed to repeat the trick by *finding a decent earnings* enhancing acquisition which can be funded by shares on a multiple of only 12. But a company fresh from a near-death experience and still looking for a chief executive can scarcely expect much better.

World of Leather in the red

World of Leather, the USM-quoted furniture retailer, ended 1993 with a pre-tax deficit of £121,000, after taking account of a £406,000 exceptional charge representing the costs of a contractual dispute with *its former warehousing* and distribution company.

The dispute was resolved in an out-of-court settlement just before the year end, and involved a £150,000 payment by World of Leather.

The pre-tax outcome compared with £44,000 profits last time and came from turnover up from £25.6m to £27.2m. *Operating profits, before* exceptional items, increased from £526,000 to £588,000.

The improvement here, the company said, was achieved through improved margins – up from 44.8 per cent to 47.1 per cent – which more than offset higher distribution charges and administrative costs.

On December 26 the company opened its first new store for nearly four years, increasing the number of outlets to 29.

Losses per share came out at 2.4p (0.1p *earnings*). *The* directors said that provided there was no deterioration in *the* current level of trading it was *hoped the* company would return to the dividend list this year. The last payment was in 1989.

RPS shows 13% growth to £825,000

RPS Group, the USM-traded environmental consultancy, maintained growth in the second half of 1993 to end the year with pre-tax profits up more than 13 per cent from £727,000 to £825,000. Turnover was £7.52m, against £7.62m.

Mr Roger Looker, chairman, said that "as one of the leading companies in the sector with a strong balance sheet and positive cash balances, we will benefit from the inevitable increase in the importance of environmental issues."

Trading and cash flow in the *first quarter* of 1994 gave cause for optimism, he added.

Cash flow was positive for the third successive year and *overall cash balances were up* by £631,000 and stood at *£646,000* at the year end. The company paid off all remaining *debt in the first half and had* no debt at December 31.

Earnings per share edged ahead from 4.82p to 4.87p, *while a* final dividend of 1.3p raises the total for the year to 2.4p (2.2p).

Derwent Valley jumps to £2.54m

By Simon Davies

Derwent Valley Holdings, the London-focused property investment company, reported a sharp jump in pre-tax profits from £896,000 to £2.54m in 1993, helped by lower interest payments and rising rental income.

The company, which announced a £16.9m placement last July, has seen net asset value per share rise 8.5 per *cent to 544p (501p) since the* issue, and anticipates further *increases in 1994*.

Mr John Ivey, chairman, *said*: "Prospects *for 1994* are encouraging. Management will *continue to maximise the* potential of the portfolio and acquire further properties." The company has purchased £23.8m of properties since July.

Net revenue from properties amounted to £7m in 1993, compared with £6.4m in the previous year. Debt servicing costs fell from £3.1m to £2.5m in 1993, due to falling interest rates, and the fact that purchases were timed towards the end of 1993.

Net borrowings, however, climbed £6m to £34.7m as a result of acquisitions, representing gearing of 55 per cent.

The company's portfolio has remained well let, with void space of 32,000 sq ft at the year end, of which 26,600 sq ft were accounted for by newly refur*bished offices*.

About 85 per cent of Der*went's portfolio is located* in the West End of London, and the company said there were already signs of an improvement in the rental market. It has a number of planning consents for developing its portfolio, to enhance its performance in a rising market.

Earnings per share more than doubled to 20.8p (10.2p). The directors recommended a final dividend of 6.05p, making a total of 9.1p (8.6p) for the year.

Holders' rise held to 13%

Holders Technology, the USM-quoted supplier of tools, materials and equipment to the European printed circuit board industry, lifted pre-tax *profits* by 13 per cent, from £394,000 to £446,000, in the year ended *November* 30 1993.

Mr Rudolf Weinreich, chairman and chief executive, said the result was affected by Ferranti, one of its larger UK customers, going into receiver*ship. That* left it with a bad debt of £56,000, thus reducing the profit growth to *about* half of what it would otherwise have been.

Turnover rose from £3.48m to £4m. Mr Weinreich said that in the current year the group expected to see increasing sales of the Espanex adhesives flexible circuit materials *which it distributes* across Europe.

He added that the outcome for the year would depend on the group's success in shifting the product mix in favour of higher margin items.

Earnings per share rose to 9.23p (9.07p). An *unchanged final dividend of 4p* is proposed to maintain the total at 6p.

Trafficmaster for market at £28.7m

Trafficmaster, a Luton-based *company which claims to offer* the world's first commercially *available on-board traffic* monitoring system, is coming to the market with a capitalisation of £28.74m, writes Andrew Bolger.

Allied Provincial has placed 7.5m Trafficmaster shares with institutions at 130p each. Dealings begin on March 31.

Mr David Martell, the chief executive, said the marketing had been very well received and the flotation would raise £7.17m in new money – more than originally planned.

Trafficmaster has installed infra-red sensors which monitor traffic speed, transmit it by radio to a central computer and then feed the information to visual display units in subscribers' vehicles, advising motorists of the average speed and direction of any hold-up.

The system already covers more than 1,000 miles of motorways and trunk roads in the south of England and the Midlands and part of the flotation proceeds will be used to extend the network to cover the main motorways in England, Wales and Scotland by the end of this year, and main trunk roads during 1995 and 1996.

The directors said that once the network was complete revenue from each subscriber should push profitability up quickly.

Boost from Laidlaw helps Quicks advance to £3m

By Paul Taylor

Quicks Group, the Manchester-based motor distributor, reported a 48 per cent increase in 1993 pre-tax profits to £3.04m yesterday, up from £2.06m the previous year.

Turnover grew by 27 per cent to £253m (£199m) almost entirely reflecting a £52m contribution from the Laidlaw group of five Ford *main dealerships, which were acquired in July* last year.

Earnings per share from the enlarged group, which now consists of 18 car dealerships, 10 of which are Ford, increased by 22 per cent to 9.5p (7.8p) and the final dividend is being raised to 3p (2.75p) making a 5p (4.5p) total for the year.

Operating profits grew by 23 per cent to £4.51m (£3.66m) including a £336,000 contribution from Laidlaw, while net interest costs fell *to £1.47m (£1.6m)*.

The group noted that the recovery apparent in *the first half continued* into the *second half* with pre-tax profits, on an equivalent basis, at £1.61m compared with £950,000 for the 1992 period.

Mr Alec Murray, managing director, said that this near doubling of second-half profits reflected the continuance of strict management controls following the installation of the new management team in late 1991, and in particular the profit impact of the *run-down of the group's* leasing activities.

Quicks' *overall new* car registrations had exceeded manufacturers' targets and the sales of used vehicles had been higher than the previous year's total.

Despite difficult market conditions the group's service, bodywork and parts distribution business also continued to be profitable.

Mr Murray stated that "margins in every *part* of our business have remained under pressure for the whole year", but added that "management action to further reduce the cost base has helped *offset margin erosion*."

So far this year trading conditions had improved with registrations of both cars and commercial vehicles ahead of last year.

"The market remains highly competitive, but it is encouraging that Ford has begun to strengthen its position", Mr Murray said.

Buoyant result masks a growing focus on price in the marketplace

Iceland ahead 18% to £65.2m

By Peggy Hollinger

Iceland, the frozen and chilled foods retailer, yesterday warned it was beginning to feel the pressures of an increasingly price sensitive environment, in spite of an 18 per cent increase in annual pre-tax profits to £65.2m.

Mr Malcolm Walker, the chairman and chief executive, said there was a growing focus on price in the marketplace. While Iceland was insulated from the worst effects of price cutting, by carrying a smaller proportion of the most vulnerable items such as bread and milk, "we are not immune from the problem," he said.

Like-for-like sales in existing stores in the first few weeks of the year were running about 2 per cent lower, partly because of the effects of lower prices. This followed a sharp slowdown in comparable sales growth last year, from 7 per cent in the first half to 3 per cent in the second.

However, Mr Walker said he was confident the group would advance this year. Gross margins had stabilised, and the Iceland outlets at Littlewoods were expected to contribute profits in 1995.

Sales for the group as a whole were 14 per cent higher at £1.18bn for the 52 weeks to January 1. The period compared with 53 weeks in 1993.

New Iceland stores contributed 8 points of the increase, with the Littlewoods outlets a further 4 points. Like-for-like sales were 5 per cent ahead, with nil inflation.

The group opened a record 103 new stores, including 43 Littlewoods food halls. Mr Walker said Iceland planned to open a minimum of 50 stores this year.

Higher capital expenditure of £110m, against £64m last time, helped to push up debt from £65m to £70m. Debt as a proportion of shareholders' funds fell from 40 per cent to 32 per cent.

Iceland's foray into France, which has cost £4m so far, was disappointing. Mr Walker said Iceland would not invest any further and would decide by the end of the year whether to remain in France.

An improved final dividend of 2.6p is proposed for a total 14 per cent higher at 3.8p. Earnings were 14 per cent ahead to 15.68p.

● COMMENT

Many analysts have been left scratching their heads after this set of figures. Second half sales were much lower than expected and losses at Littlewoods and in France were also higher than forecasts. Yet profits were in line with expectations. Cost-cutting and improved buying power may explain some of the profits achievement, but many question whether this is sustainable. Iceland also appears to be struggling for comparable sales, which have fallen from growth of 10 per cent to a negative 2 per cent in less than 12 months. The bears have cut forecasts from £71m to a flat £65m. While the multiple of 11 appears attractively low, this is likely to reflect a degree of pessimism over the longer term.

Robert Wiseman Dairies valued at £64m in float

By Maggie Urry

Robert Wiseman Dairies, the Scottish liquid milk processor and distributor, priced its flotation yesterday at 100p a share, valuing the group as a whole at £63.7m.

A total of £16.1m has been raised through an institutional placing, completed yesterday.

The placing gives £14.5m net new money to the group, with the sale of 15m shares, and a further 1.08m shares have been placed on behalf of family members. The family is also taking £3.5m in a special dividend before the current year end on April 2. The float will leave the Wiseman family with nearly 74.8 per cent of the group, and, barring large acquisitions for shares, the family expects to retain control for some years to come.

The group is forecasting pretax profits for the current year of not less than £5.09m (£3.19m), including a £327,000 exceptional profit on the sale of an investment. Excluding that profit, earnings per share are forecast at 6.61p (6.14p), giving a p/e at the issue price of 15.1. The notional net dividend for the year to April 2 is 2.5p giving a yield of 3.12 per cent, covered 2.6 times.

The group, which has just acquired Mackies dairy in Aberdeen, has 21 per cent of the Scottish milk market, but only 2 per cent of the UK market. It specialises in supplying multiple retailers, which now take 65 per cent by volume of the group's milk.

Mr Alan Wiseman, executive chairman, said that by being a low cost producer, the group could make good margins from selling to supermarkets in spite of low prices.

Wiseman has expanded into England with the purchase of a dairy in Manchester in 1991 and now plans a sizeable investment programme there. With the Manchester project and other investments the group plans to spend £14m over the next two years before any acquisitions, using the cash raised in the float.

Dealings in the shares start on March 28. The placing was arranged by Panmure Gordon.

Lydia van der Meer

Alan Wiseman (left) with managing director Robert Wiseman and Hayleys Promise Gloriette, a black and white fresian

Fags held back by lower copper prices

By Kenneth Gooding, Mining Correspondent

Sharply lower international copper prices held down the 1993 profits of Antofagasta Holdings, which has mining, banking, rail and water distribution interests in Chile. The group's pre-tax profits slipped from £23.5m to £23.1m.

Earnings per share increased by 22.5 per cent to 73.5p, however, after a strong performance by associate companies, reflecting growth in the Chilean economy.

Antofagasta is lifting the total dividend by 1p to 21p with a final payment of 15p (14p).

Pre-tax profits of the group's mining operations fell from £6.65m to £1.51m. The directors pointed out that during last year the average global copper price fell by 16 per cent from $1.03 per lb to 87 cents.

In December the group's Michilla mining operations were merged with those of Lince, and ore from both mines is now processed through a solvent-extraction-electro-winning plant at Lince. This process was not previously available to Michilla.

A £7.28m provision has been made for the write-down of mining assets associated with the previous process.

Pre-tax profits from the railway operations increased from £3.37m to £4.1m and income from associated undertakings was up from £12.3m to £15m.

There was an £8.25m profit on disposal of part of Banco O'Higgins, merged last year with the Chilean subsidiary of Banco Central Hispanoamericano of Spain (CentroHispano Bank).

Group turnover was up from £72.1m to £86.7m. Administration expenses jumped from £11.8m to £18.6m, mainly because of the inclusion of an extra £4m costs at the Lince mine which became operational from only the second half of 1992.

Another £1m in extra costs was incurred from the closure of Michilla.

Acquisitions help lift Avonmore to I£29.2m

By David Blackwell

Avonmore Foods, the expanding Irish dairy and meat processor, lifted turnover last year by 35 per cent to more than £1bn, while pre-tax profits rose by 17 per cent from I£25m to I£29.2m.

Turnover totalled I£1.13bn (£1.09bn) against I£831m.

Mr Brendan Graham, group secretary, described passing the £1bn turnover mark "as an important and significant milestone in the growth of Avonmore as an international food group."

More than 73 per cent of turnover was generated overseas, against 66 per cent in 1992.

The company attributed the rise to organic growth and acquisitions, of which the most important was the purchase last July for £21.6m of the Birmingham area operations of Dairy Crest. This gave the group almost 8 per cent of the UK's liquid milk market.

Total sales for the dairy group were up 35 per cent to I£572m (I£422m), helped by strong UK milk and US cheese sales. Operating profits on the dairy side increased from I£18.5m to I£24.2m, giving margins of 4.2 per cent.

Operating margins in the meat division improved in the second half from 1.8 per cent to 2.8 per cent – still below the 1992 levels.

Turnover for meat was 50 per cent ahead at I£454m, reflecting the integration of the acquisitions.

Earnings per share were 18.5 per cent ahead at 14.35p (12.11p). A final dividend of 2p is proposed (1.85p), bringing the total for the year to 3.55p (3.3p). Mr Graham said the group expected to make further advances this year as it continued to consolidate its acquisitions.

● COMMENT

The tough conditions in its markets make this a satisfactory performance for Avonmore, which has grown rapidly through acquisition. It could be argued that although margins are tight, the company is still making returns and has plenty of room for improvement. The management runs a tight ship, but the company could be said to be driving towards the big league too hard and too fast. While the core dairy business looks good, the company has to negotiate the changes looming in the UK milk market. It is not so familiar with the meat sector, which appears to be giving some problems. Analysts are expecting earnings to increase by about 9 per cent this year as the tax charge rises, putting the company on a prospective multiple of around 10.5 – fair value in the sector.

Lilliput grows 53% to £3m

By David Blackwell

Lilliput Group, the maker of hand-painted miniature china cottages that was floated in November, boosted profits by 53 per cent and sales by 21 per cent for 1993.

The pre-tax figure rose from £2.01m to £3.08m on turnover up from £13.6m to £16.5m.

A dividend of 0.6p is proposed, in line with the prospectus forecast and equivalent to 4.35p if the shares had been trading for a full year. Earnings per share were 9.5p (6.7p).

Sales in the UK, which accounts for more than 60 per cent of turnover, were up by 25 per cent. The US, the second biggest market with 27 per cent of sales, improved by 10 per cent. In order to cope with demand, the group created 100 new jobs in the year.

Membership of the collectors' club – a vehicle to stimulate demand for the models – rose from 58,000 to 68,500.

Mr John Russell, chairman and chief executive, said membership had risen to 71,500 in the first two months of this year "and the momentum is still growing."

Net interest receivable was £24,000, compared with payable interest of £121,000 last time.

The Cumbria-based group ended 1993 with £4m cash. Mr Russell said it was looking for an acquisition where it could use its skills in marketing collectable products.

Mr Roger Fitness, chief executive, who led the group's move into the US market, has resigned for personal reasons. He will remain as a consultant for a minimum of three months. Mr Russell is assuming the role until a new chief executive is appointed.

GPT wins £40m Chinese order

By Andrew Adonis

GPT, the UK-based telecommunications joint venture between GEC and Siemens of Germany, has won a Chinese contract which it claims is the largest ever awarded for the next generation of telecoms transmissions systems.

The £40m order includes equipment for a 1,400km system using "synchronous digital hierarchy" technology, the state-of-the-art transmission backbone for carriage of high-speed data and voice traffic.

GPT beat Alcatel of France and AT&T of the US for the contract. Mr Peter Brown, managing director of GPT's network systems division, said its success was the result of collaboration between Siemens and GPT's UK-based development team in a £2bn joint development programme for network infrastructure.

GPT has a manufacturing joint venture in Shanghai, called Sidtec, but most of the SDH equipment for the contract will be manufactured at the company's Coventry plant.

China has less than one phone line per 100 people, but wants to quadruple its number of lines by the year 2000.

Bourne End reduces deficit to £55,000

By Simon Davies

Bourne End Properties, the property investment company, achieved a small profit in the second half of 1993, resulting in a reduced pre-tax loss of £55,000 for the year, against a deficit of £1.17m in 1992.

The company successfully pushed through a 3-for-1 rights issue late last year, which has transformed the company and given rise to a more aggressive investment policy.

At the December 31 year end, borrowings had increased almost threefold to £105m, but net asset value per share rose 12p to 85p and gearing was more than halved from 580 per cent to 230 per cent.

During 1993, net rental income increased from £3.47m to £3.81m, while net interest payable fell from £4.22m to £3.34m.

Mr Leo Noe, chief executive, said that rental income was currently 1.3 times interest payable, despite a further £21m of acquisitions announced in February. The company is comfortable with current debt levels.

"If the market continues to improve, we would be doing our shareholders a disservice if we reduced our gearing by much," he added.

Bourne End has renegotiated its debt, and more than half is now fixed for between 15 and 20 years, at interest rates of below 10 per cent.

The company's property portfolio was valued at £147m in December, representing upward valuations totalling £11.9m, of which £5.5m was on properties owned before 1993. Bourne End's net worth increased from £39m to £45m.

Losses per share were reduced to 0.4p (8.2p) and a final dividend of 0.25p is proposed, maintaining the total for the year at 1p.

Secure Trust edges ahead to £7.6m

By Alison Smith

Secure Trust, the financial services group, yesterday reported a 4 per cent increase in pre-tax profits from £7.32m to £7.61m for 1993.

Net interest income rose to £4.01m (£3.42m), helped by the group's acquisition of Peoples Bank during the year, which is estimated to have contributed some £500,000 in interest income. Fees and commission income rose to £14.5m (£13.9m).

The group's main activities comprise its household cash management service, its banking service, and motor and general insurance business.

Provisions for bad and doubtful debt fell sharply from £382,000 to £296,000.

The board proposes a final dividend of 10.5p per share, which gives a total of 15p (13.5p) for the year, an increase of 11 per cent. Earnings per share rose to 35.8p (34.3p).

Mr Henry Angest, chairman and chief executive, described the profit growth as steady rather than spectacular. He envisaged future growth coming from the group's banking activities, through developing facilities such as the cheque book and cash card currently available to Peoples Bank customers.

The group is also looking to expand its geographical spread beyond the Midlands and Bradford where it is based at present.

Mr Angest acknowledged that administrative expenses, at £10.16m (£9.21m) against an operating income of £18.54m (£17.31m), were high, but attributed this partly to the cost of meeting regulatory requirements.

In December the group launched a telephone-based motor and household insurance service – SecureDirect – in response to inroads in its business from other telephone insurance services.

NEWS DIGEST

Warning hits Motor World shares

Shares of Motor World Group, the car parts and accessories retailer which floated in February last year, fell 14p to 314p yesterday following an adverse trading statement at the annual meeting.

Shareholders were told that the exceptionally wet winter weather had resulted in a customer fall-off which had affected retail sales during the opening half year.

However, this was partially offset by increased spending per head and, in the light of an increase in the number of branches from 180 to 209, the board said it was "quietly confident" in the outcome for the current year.

R & Merc American

River & Mercantile American Capital & Income Trust raised net asset value from 49.34p to 49.53p per capital share in the year to February 28 1994, while net assets per income share were also higher, at 75.57p against 70.59p previously.

Net earnings in the year dropped from £610,000 to £562,000, equivalent to 7.49p (8.13p) per income share. The final dividend is held at 2.4p for a same-again total of 7.8p.

American Trust

American Trust, which invests mainly in US equities, increased net asset value by 16 per cent from 265.2p to 308.9p at the end of January 1994.

Net earnings in the year grew from £4.02m to £4.58m and fully diluted earnings per share were ahead 14 per cent at 5.46p (4.78p). The recommended final dividend is 3.6p (3.4p) for a total up from 4.9p to 5.4p.

Reflex Group

Reflex Group, the computer services and software company based in the Irish Republic, returned to profit in the year ended December 31.

The pre-tax figure came out at I£619,000 (£596,000) against a loss of I£4.53m for the eight months to December 31 1992, when the figure was hit by I£2.18m written off to reserves.

The 1993 pre-tax profit was also boosted by a write-back of I£294,000 of provisions for losses on discontinued operations against a write-down of I£486,000.

Turnover was ahead at I£8.1m (I£5.58m). Earnings per share were 4.25p (26.85p losses).

Trace Computers

Falling interest rates, reduced borrowings and an improving market helped Trace Computers, the software specialist, increase interim pre-tax profits from £105,000 to £216,000.

Turnover for the six months to November 30 was also ahead, at £9.24m (£8.84m).

Earnings per share were higher at 1.22p (0.59p) and the interim dividend is again 0.55p.

Law Debenture

Net assets per share of the Law Debenture Corporation rose by 30 per cent to 667.3p at the end of December 1993, against 514p a year earlier.

Net earnings for the year improved from £4.57m to £4.98m, equivalent to 21.91p (20.07p) per share. The dividend total is raised by 1p to 19.25p with a 12.75p final.

Berry Starquest

Berry Starquest, an investment trust, had a net asset value per share of 239.6p at the year ended January 31, against 200.1p six months earlier and 170.7p at the previous year end.

Net revenue for the year fell from £160,000 to £126,000 for earnings per share of 2.4p (3.1p). An unchanged dividend of 2.2p is proposed.

B Gifford Japan

Net asset value per ordinary share of the Baillie Gifford Japan Trust stood at 789.2p at February 28, a decline of 3.6p on the figure standing at the August 31 year-end.

Available losses for the half year to end-February totalled £209,562 (£68,827) and losses per share were 1.9p (0.63p).

Lon & St Lawrence

Net asset value per share of London & St Lawrence Investment Trust stood at 182.45p at February 28, against 175.32p six months earlier and 157.06p at the previous year end.

Net revenue for the year more than trebled from £513,323 to £1.69m and earnings per share were 5.14p (2.7p).

In November last year the trust merged with its associate company, Practical Investment Company, and in line with its stated intention to pay an interim dividend in May each year, the trust has announced a pay-out of 3.12p this time.

COMMODITIES AND AGRICULTURE

Oil price reaches $14 ahead of Opec meeting

By Robert Corzine

Oil prices edged upwards yesterday in advance of the meeting in Geneva on Friday of the Organisation of Petroleum Exporting Countries.

The price of the benchmark Brent Blend for May was hovering just above the $14 a barrel level in late London trading yesterday. That compares with a closing price of $13.77 on Monday.

Part of the price increase was attributed to storms in the North Sea, which prevented tankers from loading at Norway's Statfjord and Gullfaks fields. Loading operations at Norway's two onshore terminals, Mongstad and Sture, were also affected by bad weather.

Mr Peter Gignoux, a trader at the London office of Smith Barney, said evidence of "a bit more demand from refiners" was also helping to underpin the market.

The firmer price coincided with a growing belief in the markets that Opec oil ministers may choose to roll over the present production quota of 24.52m barrels a day, rather than try to engineer a cut in output to boost prices.

"They are waiting for demand to bring the price up," according to Mr Joseph Stanislaw at Cambridge Energy Research Associates in Paris. He said that an extension of the quota for at least the next two quarters could be portrayed in a "constructive and positive" light. "The longer they say this is the right quota the better it would be for the markets," he added.

Unlike previous Opec meetings there has been little public evidence of pre-meeting consultations between member states. Nevertheless analysts say the roll-over may emerge as the preferred option because a small cut in quotas of, say, 500,000 b/d would be unlikely to have a lasting impact on prices and would simply give away market share to independent producers.

A larger cut of 1m-1.5m b/d could provoke a sharp rise in prices, but it would also raise doubts whether some Opec producers would abide by it.

BP set to explore in China's Tarim basin

By Robert Corzine

British Petroleum has become the latest international oil company to secure an agreement to explore for oil in the remote Tarim basin in western China.

Under the terms of the agreement with the China National Petroleum Corporation BP Exploration and four Japanese partners will spend three years on a seismic programme, after which they will have an option to begin exploration drilling.

The consortium's commitment is on a relatively small scale, thought to be around $3m for the seismic operation. Other foreign companies which have recently reached exploration agreements in the area include Exxon and Texaco of the US, Agip of Italy and a number of Japanese companies.

The Tarim Basin has long been viewed with interest by foreign companies, but its remote location and lack of infrastructure means development of any oil finds are likely to be long-term prospects.

Brussels' cheese-paring irritates Italians

John Simkins reports on resistance to a proposal to reduce the country's milk quota

Italy's milk producers are strongly resisting a proposal by the European Commission to reduce an increase in their quota just as they believe they getting are back on track after years of over-production.

Their anger is directed at Mr René Steichen, the agriculture commissioner, who has decided that an agreed increase of 900,000 tonnes in Italy's annual milk quota, taking it to a total of 9.9m tonnes, should be reduced by 350,000 tonnes in 1994-95.

A hot reception awaited Mr Steichen earlier this month when he was to attend the opening of Italy's agricultural trade fair in Verona, but the commissioner had second thoughts and stayed away. In response, Italy's three big farming associations also boycotted the event. However, the producers are likely to confront him at Brussels on March 28 and 29 when the European Union's agriculture ministers will discuss the Italian quota.

Italy, which is a net importer of milk, admits to having violated milk quotas for much of the 1980s and Denmark, Britain and the Netherlands were reluctant to see its quota increased. But the 9.9m tonne quota was granted in the light of Italian commitments to bring production down from an estimated 11.5m to 9.9m by the end of March 1995. As a first stage, Italy was expected to reduce production to 10.6m by the end of this month.

The commission believes Italy is not meeting the demands made of it. Whereas Spain and Greece have had quota increases confirmed – the latter only provisionally – it has therefore shaved Italy's.

The decision will make it easier for the commission to win the approval of the 12 EU countries for a suggested 1 per cent cut in quotas in 1994-95. "The market is fragile and balance is maintained by quotas on the one hand and subsidising outlets on the other," according to a spokesman for the agriculture commissioner. "There is no guarantee the balance will continue and there is a serious danger of intervention stocks building up without the cut in quota."

Mr Alfredo Diana, Italy's agriculture minister, retorts that Mr Steichen has acted too hastily and that Italy had until the end of this month to present evidence of the results of a costly overhaul by the ministry, which has subjected 130,000 milk producers to quota controls. The Italians hope that this data will enable Mr Steichen to amend his proposal and he is in close touch with Mr Diana. However, if the cut is confirmed, Italy may face more financial penalties on top of the L2,800bn (£1.12bn) that Confagricoltura, the farming association, estimates it must pay for violating past quotas.

The herd-by-herd examination revealed widespread abuses, such as quotas being claimed by defunct businesses, which disqualified 35,000 farms. The commission claims that at one time quotas were issued for over 12m tonnes, compared with production estimated by the Italians at 11.5m, and Confagricoltura admits that the abuses date back to a period when Italy "paid too little attention to quotas".

Mr Steichen has complimented Mr Diana on the progress made but it is only in the past 18 months that Italy has signalled a serious attempt to get output in line with quotas. Italy has always objected to the system, mainly because it imports 60 per cent of its annual 18m tonne consumption and has not wished to curb development of its domestic producers. Production is concentrated in the north and transport costs make fresh milk expensive in much of the south.

"It seems nonsense to cut 350,000 tonnes of quotas from a country that imports," says Mr Walter Luchetti, a director general at the agriculture ministry. Mr Luchetti rejects suggestions that Mr Diana's efforts to reduce production have met with resistance within Italy's fragmented milk industry. "Our producers have accepted the regulations and are making great efforts to comply," he says.

Confagricoltura says that much of Italy's milk is used to make cheese, which is not in surplus in the EU, and is sceptical about the effectiveness of quotas as a method of balancing the market.

"But we are serious about resolving the milk issue because this is essential to give us negotiating influence in other agriculture reforms," says the association.

Underbidders hope for Chilean deal

By Kenneth Gooding, Mining Correspondent

Magma Copper of the US and Broken Hill Proprietary, Australia's biggest company, still hoped to win control of the El Abra project in Chile, one of the world's biggest undeveloped copper deposits, Mr Burgess Winter, the president of Magma, said yesterday.

Codelco, the state-owned Chilean copper group, put 51 per cent of El Abra out to tender last year and in October Cyprus Amax of the US with its partner Lac Minerals of Canada, was first past the post offering US$404m and an undertaking to spend $307m on the project.

However, in February, Cyprus and Lac said tests they had made to confirm previous estimates showed reserves at El Abra might be significantly lower than previous data suggested and they might have to renegotiate the deal. Codelco has given them until May 15 to complete.

Mr Winter said that, if negotiations between Codelco and Cyprus-Lac broke down, Magma-BHP would press for El Abra to pass to them as the second-highest bidders rather than be put out to tender again.

He said Magma-BHP had bid high for El Abra, offering US$240m, some $10m ahead of RTZ of the UK, third past the post. The gap between the Magma-BHP and Cyprus-Lac bids was explained by the fact that Magma-BHP's test work suggested that El Abra could support annual output of 160,000 tonnes of copper whereas the highest bidders were looking originally for 225,000 tonnes. "We thought that was impossible," said Mr Winter.

Under the rules Codelco set for the tender, failure to conclude a deal with the highest bidder was to have resulted automatically in the start of negotiations with the underbidder.

However, Mr Winter pointed out that Chile's recently-elected new government had changed virtually all of Codelco's senior executives "so at the moment it is difficult to find someone to talk to".

Some analysts have suggested that the disagreement over El Abra is extremely embarrassing for Codelco as the deal, the first sale of a big ore body by the group, was supposed to set a pattern for other privatisations. It also coincided with revelations that a relatively junior executive had lost US$207m in copper futures trading.

● Mr Winter, in London to speak to investors, said Magma expected the copper price to reach $1 a lb by the end of this year against last night's London Metal Exchange three-month price of 88.6 cents.

Commodity price gains forecast for 1994-95

By Nikki Tait in Sydney

World commodity prices are forecast to rise by 6 per cent in 1994-95, regaining with interest the estimated overall fall of 2 per cent seen in 1993-94.

According to a report from the Australian Bureau of Agricultural and Resource Economics, commodity prices overall reached a nadir in the first half of 1993-94, but recovered with a 6 per cent rise in the first quarter of this year and are expected to show a further 1 per cent increase in the second quarter. In the next fiscal year Abare suggests demand will strengthen as more countries move out of recession, and tighter supply conditions persist, particularly for rural products like sugar, cotton and rice.

As far as specific commodities are concerned, Abare predicts that the world gold price should rise by about 7 per cent in 1994, to average US$385 an ounce over the year (close to the present level). The forecasters suggest that the price rise will result from increased jewellery fabrication and investment demand, spurred by the general improvement in economic conditions.

Abare also sees a firming of the wool prices in 1994-95, as strengthening demand from western Europe and, to a lesser extent, Japan outweighs some upward revisions to expected level of the Australian wool production. It suggests that the market indicator price could increase by about 9 per cent, to average A$5.30 a kilogram clean. However, the average market indicator for 1993-94 is put at around $4.85, still marginally below the previous year's figure.

MARKET REPORT

Silver leads gold to two-month high

The London GOLD price was fixed at the highest level since January 20 after a buying spree, which started in the silver pit pit of the New York Commodity Exchange, set-off buying stop-loss orders.

The yellow metal ended at $389.25 a troy ounce, while SILVER was up 16 cents at $5.57½ an ounce.

The market had been very steady before the futures opened, buoyed by continuing tensions in South Africa and concerns over the deployment of US missiles in South Korea.

At the London Metal Exchange COPPER edged up on the back of commission house and merchant buying, although the move failed above $1,950 a tonne, for three months delivery, which dampened sentiment in other metals.

Three months ALUMINIUM ended the day at $1,334 a tonne, down from its high of $1,340 but up on Monday's $1,328 close. Speculative and merchant sales were blamed for the late fall.

London Commodity Exchange COFFEE futures set fresh highs, the May position climbing to $1,355 a tonne before ending the day at $1,354, up $23.

Some dealers said they were slightly surprised by the rise, which they thought might reflect a trade house buying in London and selling in New York.

Compiled from Reuter

LME WAREHOUSE STOCKS (As at Monday's close) tonnes

Aluminium	+1,625	to 2,598,150
Aluminium alloy	-80	to 45,820
Copper	-1,650	to 518,975
Lead	-550	to 331,560
Nickel	+354	to 136,200
Zinc	+8,000	to 1,091,450
Tin	+200	to 23,580

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1313.5-4.5	1338.5-9.0
Previous	1308-9	1332-3
High/low		1342/1333
AM Official	1314-4.5	1338-8.5
Kerb close		1333-4
Open int.	271,041	
Total daily turnover	38,251	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1270-5	1285-90
Previous	1295-300	1310-5
High/low		1310/1285
AM Official	1280-5	1295-300
Kerb close		1285-90
Open int.	4,561	
Total daily turnover	1,034	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	462.5-3.5	477-8
Previous	462.5-3.0	477-8
High/low		478.5/474
AM Official	462-2.5	477-7.5
Kerb close		473-4
Open int.	33,932	
Total daily turnover	3,953	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	5620-30	5685-90
Previous	5650-60	5715-20
High/low		5700/5640
AM Official	5630-5	5680-5
Kerb close		5665-70
Open int	50,846	
Total daily turnover	9,177	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5475-80	5525-30
Previous	5535-40	5585-90
High/low		5570/5490
AM Official	5510-2	5564-6
Kerb close		5500-10
Open int.	19,482	
Total daily turnover	5,178	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	951.5-2.5	972-3
Previous	958.5-7.5	977-8
High/low		977/971
AM Official	953.5-4.0	974-4.5
Kerb close		971-3
Open int.	109,531	
Total daily turnover	18,717	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1940-1	1952-3
Previous	1933-4	1946-6
High/low	1943/1942.5	1958/1940
AM Official	1942.5-3.5	1955-6
Kerb close		1949-50
Open int.	224,738	
Total daily turnover	60,222	

■ LME AM Official £/$ rate: 1.4870
LME Closing £/$ rate: 1.4822

Spot 1.4870 3 mths 1.4826 6 mths 1.4803 9 mths 1.4787

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Mar	91.25	+0.25	91.85	91.10	2,355	553
Apr	91.10	+0.25	91.40	91.10	1,090	38
May	90.90	+0.25	91.70	90.90	42,638	10,016
Jun	90.70	+0.25	91.10	91.10	923	1
Jul	90.55	+0.35	91.05	90.50	11,837	1,573
Aug	90.50	+0.40	-	-	472	16
Total					70,188	12,903

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	389.00-389.50	
Opening	386.80-387.20	
Morning fix	386.95	260.607
Afternoon fix	389.15	261.754
Day's High	389.50-390.00	
Day's Low	386.30-386.70	
Previous close	386.00-386.40	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....3.25 6 months 3.55
2 months ....3.35 12 months 3.85
3 months 3.44

Silver Fix	p/troy oz.	US cts equiv.
Spot	366.20	544.80
3 months	[illegible]	[illegible]
6 months	[illegible]	[illegible]
1 year	[illegible]	[illegible]
Gold Coins	$ price	£ equiv.
Krugerrand	[illegible]	[illegible]
Maple Leaf	[illegible]	[illegible]
New Sovereign	[illegible]	[illegible]

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Mar	389.2	+3.4	-	-	-	-
Apr	389.7	+3.4	390.5	386.4	56,778	13,749
May	390.9	+3.5	-	-	-	-
Jun	392.1	+3.5	393.3	388.7	42,370	4,340
Aug	394.6	+3.5	395.0	391.5	7,708	98
Oct	397.2	+3.5	397.3	395.0	4,384	20
Total					145,211	18,900

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Apr	405.9	+2.9	408.0	404.2	9,115	1,361
Jul	406.7	+3.0	409.0	404.5	10,085	1,007
Oct	407.2	+3.0	409.5	407.0	1,217	62
Jan	407.7	+3.1	408.5	408.5	574	-
Apr	409.1	+3.4	409.0	409.0	707	47
Total					21,698	2,477

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Mar	135.90	+1.55	-	-	14	-
Jun	135.65	+1.55	136.00	134.75	3,910	48
Sep	135.35	+1.55	135.25	135.25	398	-
Dec	134.85	+1.55	-	-	183	4
Total					4,505	52

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Mar	558.3	+17.3	562.0	545.5	863	232
Apr	559.6	+17.3	-	-	5	-
May	561.5	+17.3	563.0	545.0	68,308	5,959
Jul	565.5	+17.4	568.0	549.5	17,957	505
Sep	569.8	+17.5	572.5	559.0	5,025	218
Dec	576.2	+17.6	577.0	560.0	9,747	135
Total					112,240	7,258

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Apr	15.40	+0.03	15.50	15.26	24,199	38,878
May	15.28	+0.05	15.36	15.14	111,254	43,449
Jun	15.31	+0.08	15.38	15.15	69,337	14,418
Jul	15.37	+0.08	15.44	15.28	33,141	6,453
Aug	15.50	+0.06	15.55	15.38	17,371	2,218
Sep	15.56	+0.07	15.60	15.48	19,532	739
Total					414,797	114,388

■ CRUDE OIL IPE ($/barrel)

[illegible]

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

[illegible]

■ GAS OIL IPE ($/tonne)

[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls)

[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	105.25	-0.30	105.75	105.50	23	20
May	106.35	-0.20	106.80	106.35	1,524	117
Jun	[illegible]					
Sep	[illegible]					
Nov	[illegible]					
Jan	[illegible]					
Total	[illegible]					

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

[illegible]

■ BARLEY LCE (£ per tonne)

[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

[illegible]

■ POTATOES LCE (£/tonne)

[illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)

[illegible]

Minor Metals: [illegible]

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	924	+4	940	940	175	10
May	958	+4	960	946	23,535	1,965
Jul	[illegible]					
Sep	[illegible]					
Dec	[illegible]					
Mar	[illegible]					
Total	[illegible]					

■ COCOA CSCE (10 tonnes; $/tonnes)

[illegible]

■ COCOA (ICCO) (SDR's/tonne)

[illegible]

■ COFFEE LCE ($/tonne)

[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

[illegible]

■ COFFEE (ICO) (US cents/pound)

[illegible]

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

[illegible]

■ WHITE SUGAR LCE ($/tonne)

[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

[illegible]

INDICES

■ REUTERS (Base: 18/9/31=100)

[illegible]

■ CRB Futures (Base: 1967=100)

[illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	76.775	+0.800	76.800	75.875	34,287	4,850
Jun	74.375	+0.300	74.450	73.850	24,327	2,695
Aug	[illegible]					
Oct	[illegible]					
Dec	[illegible]					
Feb	[illegible]					
Total	[illegible]					

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	[illegible]					
Jun	[illegible]					
Jul	[illegible]					
Aug	[illegible]					
Oct	47.450	-0.100	47.800	47.325	1,899	59
Dec	48.450	-0.100	48.450	48.100	2,139	46
Total					31,383	4,885

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	55.600	+0.400	55.600	55.000	100	11
May	55.850	+0.050	55.975	55.300	6,358	989
Jul	56.100	+0.200	56.200	55.500	2,983	228
Aug	53.750	+0.125	54.000	53.300	560	48
Feb	58.550	-0.350	58.550	58.500	60	1
Mar	58.350	-	0	58.150	3	1
Total					10,050	1,277

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	May	Aug	May	Aug
1300	51	82	24	39
1325	37	68	35	50
1300	26	56	49	62
■ COPPER (Grade A) LME	May	Aug	May	Aug
1900	70	100	23	47
1950	42	74	45	70
2000	22	52	75	98
■ COFFEE LCE	May	Jul	May	Jul
1250	108	127	6	24
1300	68	93	16	40
1350	38	66	36	63
■ COCOA LCE	May	Jul	May	Jul
825	44	73	11	28
850	29	58	21	38
875	18	45	35	50
■ BRENT CRUDE IPE	May	Jun	May	Jun
1300	-	-	15	29
1350	79	-	25	50
1400	56	59	47	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/May)

		+or-
Dubai	$12.60-2.72w	+0.125
Brent Blend (dated)	$14.77-4.81	+0.26
Brent Blend (May)	$13.99-4.01	+0.225
W.T.I. (1pm est)	$15.24-5.25w	+0.34

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$155-157	+2
Gas Oil	$144-146	+4
Heavy Fuel Oil	$71-73	-1
Naphtha	$135-136	+2.5
Jet Fuel	$162-163	+4.5

Petroleum Argus Estimates

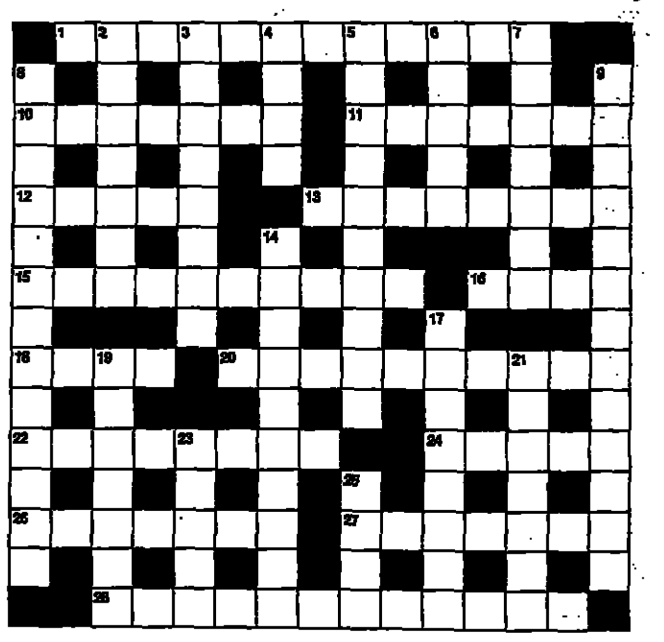
■ OTHER

Gold (per troy oz)♣	$388.25	+3.05
Silver (per troy oz)♣	567.50c	+16
Platinum (per troy oz.)	$402.15	+2.65
Palladium (per troy oz.)	[illegible]	[illegible]
Copper (US prod.)	[illegible]	[illegible]
Lead (US prod.)	[illegible]	
Tin (Kuala Lumpur)	[illegible]	[illegible]
Tin (New York)	[illegible]	[illegible]
Zinc (US Prime W.)	[illegible]	
Cattle (live weight)	[illegible]	[illegible]
Sheep (live weight)♣	[illegible]	[illegible]
Pigs (live weight)	[illegible]	[illegible]
Lon. day sugar (raw)	[illegible]	
Lon. day sugar (wte)	[illegible]	[illegible]
Tate & Lyle export	[illegible]	
Barley (Eng. feed)	[illegible]	
Maize (US No3 Yellow)	[illegible]	
Wheat (US Dark North)	[illegible]	
Rubber (Apr)♥	[illegible]	[illegible]
Rubber (May)♥	[illegible]	[illegible]
Rubber (KL RSS No1 Apr)	[illegible]	[illegible]
Coconut Oil (Phil)§	[illegible]	[illegible]
Palm Oil (Malay.)§	[illegible]	[illegible]
Copra (Phil)§	[illegible]	
Soyabeans (US)	[illegible]	
Cotton Outlook A Index	[illegible]	[illegible]
Woottops (64s Super)	[illegible]	

£ per tonne unless otherwise stated. [illegible]

CROSSWORD

No.8,411 Set by PROTEUS



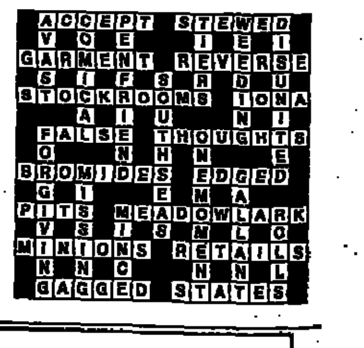
ACROSS

1 Summer's language for a genus of ferns (6,6)
10 Collisions arising from childish behaviour? (7)
11 Where some discover it readily (7)
12 Volpone's fly confederate having doctor's account returned (5)
13 Cover-drive accomplished without being separated (8)
15 Completely nude? (9)
16 Lowly worker wants coarser fish portion (4)
18 Rush to keep American lawyer quiet (4)
20 Artist showing string of camels (tailless) and soldier in turn (10)
22 Handguns difficult to wear out (6)
24 He is about to play back Bartok (5)
26 Relations with friendly Russian? (7)
27 Prattle of strange dish (7)
28 Put one's foot down on empty talk (4,2,3,3)

DOWN

2 Is taken up in regimental headquarters and put down (7)
3 Swap old coins (8)
4 Waist-band caught in window-frame (4)
5 Aria that may get sung eventually (3,4,9)
6 Upper-class girl turns in attempt to get Italian man (5)
7 Painful affliction making a teacher lose temper initially (7)
8 Hearty greeting given by company employees to fish (4,9)
9 Orchestra with the urge to "take it away"? (4,2,7)
14 Some art-aid arrangement said to give audience the best pictures (5,5)
17 Chief in lawsuit often seen by cinema audiences (3,5)
19 Conditions for orchestral players (7)
21 Festive meal for sea-nymph (7)
23 Sower scattering less well than before (5)
25 Place to notice (4)

Solution 8,410



LONDON STOCK EXCHANGE

MARKET REPORT

Footsie 3,200 mark challenged in nervous trade

By Terry Byland,
UK Stock Market Editor

A highly-charged session saw the UK stock market struggle to hold on to the 3,200 mark on the FT-SE Index as it closed just ahead of the the US Federal Reserve's indication that it was not changing its monetary stance in yesterday's trading session. In mid-afternoon, the London stock market plunged sharply to a new trading low for the year of 3,186.9 in the face of a sell-off in stock index futures.

The market was dominated throughout the day by the prospects for the meeting of the Federal Reserve's Open Market Committee (FOMC). London closed a few minutes ahead of the Federal Reserve's actions in the US money markets, and UK analysts were left to ponder the implications overnight.

The session opened strongly, with UK government bonds leading equities ahead and interest rate confidence heartened in Europe by the Bundesbank announcement of another variable rate money market repos tender today. UK company news also continued to help sentiment, as Prudential, the UK life and general insurance group, joined the list of leading British companies to increase its dividend payment; but the Prudential share price became a casualty of the market setback later in the day.

Although trading volume was unimpressive at this stage, the Footsie climbed by more than 22 points and the market appeared confident in spite of the uncertainty ahead of the FOMC meeting.

But the stock market was halted in its tracks and then driven sharply downwards when the June futures contract on the Footsie ran into trouble. Although selling of the contract, still in its early days, was not heavy, the price quickly fell through the 3,200 mark and took the underlying stock market with it.

Traders suspected that futures selling came from securities houses suddenly nervous ahead of the FOMC meeting. The stock market fell into important support territory before rallying, once again taking its lead from the stock index futures sector.

Concern was expressed at the evident power of derivatives markets to influence the underlying stock market. In part, this reflected the lack of volume and nervousness in equities while bond markets remain so fickle.

The FT-SE Index struggled back into positive territory to close at 3,201.5, a net gain of 3.5 on the day. London traders were then left on the sidelines to watch the response of the US credit markets to the Federal Reserve's actions, which appeared to leave open the chances of an early tightening in credit policies in the US.

The FT-SE Mid 250 Index followed the market trend, ending the day with a loss of 1.4 at 3,853.1. Seaq volume picked up in the second half of the session to record a total of 678m shares, a third higher than on Monday, when retail business in equities was worth £1.19bn.

The retail number, the most significant guide to genuine investment activity in the stock market, was at the lower end of daily averages for the past twelve months.

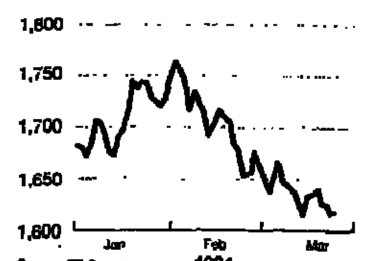
While some Far Eastern stocks rebounded strongly behind the 4 per cent upturn in the Hong Kong market, the rest of the UK market was unable to escape from the shadow cast ahead of the FOMC meeting. The erratic performance from bond markets over the past week has underlined the dependence of equities on the interest rate drama currently being acted out in Europe and the US.

Account Dealing Dates

*First Dealings:	Mar 14	Mar 28	Apr 11
Option Declarations:	Mar 24	Apr 7	Apr 21
Last Dealings:	Mar 25	Apr 8	Apr 22
Account Day:	Apr 6	Apr 18	May 3

*New time dealings may take place from two business days earlier.

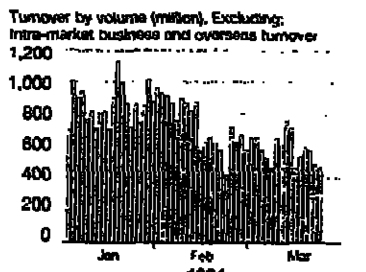
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3201.5	+3.5	FT Ordinary Index	2527.7	-0.5
FT-SE Mid 250	3853.1	-1.4	FT-SE-A Non Fins p/e	21.55	(21.54)
FT-SE-A 350	1625.0	+1.2	FT-SE 100 Fut Jun	3211.0	+13.0
FT-SE-A All-Share	1617.05	+0.79	10 yr Gilt yield	7.31	(7.38)
FT-SE-A All-Share yield	3.58	(3.58)	Long gilt/equity yld ratio:	2.18	(2.19)

Best performing sectors

1. Electricity ... +1.3
2. Chemicals ... +1.2
3. Water ... +1.2
4. Oil, Integrated ... +1.1
5. Retailers, General ... +0.9

Worst performing sectors

1. Printing, Paper & Pckg ... -2.6
2. Pharmaceuticals ... -1.6
3. Engineering, Vehicles ... -1.5
4. Merchant Banks ... -1.1
5. Property ... -1.0

Glaxo hit by Zantac challenge

Pharmaceuticals group Glaxo, which has one of the highest market capitalisations of UK quoted companies, fell sharply yesterday as a fresh challenge was launched at its top selling product.

Geneva Pharmaceutical, an arm of Ciba-Geigy, one of the leading global drugs groups, has filed an application with the US Food and Drug Administration to produce a new rival for Zantac, the anti-ulcer drug which makes up around 43 per cent of Glaxo's sales. It claims the product would not infringe Glaxo's patent which expires in 2002.

Bearish analysts, particularly those from US houses, said the news was a severe blow partly because it constituted a completely new challenge to Zantac and partly because of the status of the challenger. Ms Jo Walton of Lehman Brothers said "The result is further uncertainty making it very difficult for investors to be clear how long the Zantac franchise will remain." A Glaxo spokesman said the company was considering legal action against the Geneva application.

Very heavy selling after the news broke sent the shares down 21 to 662p on turnover of 11m, and busy trade in options. Ciba shares were up SFr40 at SFr855.

Bowater tumbles

Paper and packaging company Bowater was the big casualty in the Footsie as consideration of annual figures prompted concern over profitability. The shares fell 39 to 453p, a slide of around 8 per cent, with 7.8m traded.

Despite increased profits, reduced gearing and an increased dividend, underlying profits were flat once gains from currency shifts and acquisitions had been stripped out. There were also worries that Bowater would not be able to pass on the rise in paper prices to its customers, and concern over the short-term future for the company was highlighted by a change of stance from S.G. Warburg which has been recommending the shares for the past five years. The house is believed to be worried that consolidation among Bowater's customers means that contracts are bigger but rarer and much more competitive.

There also concerns that Bowater is about to return to the acquisition trail. However, Ms Chris Munro at house broker Hoare Govett said: "Bowater has positioned itself very well for long term growth."

Prudential concerns

Prudential, the UK's biggest general insurer was the market's second heaviest-traded stock with more than 12m shares changing hands after better than expected preliminary results. Prudential shares touched 343p immediately the figures were published but subsequently closed 2¼ off at 331¼p.

Mr Trevor May, insurance analyst at BZW, increased his current year forecast for Prudential from £565m to £650 after the results, but said sentiment in the market remained affected by worries about pension transfers.

Marketmakers said Prudential shares were still affected by the sale early last month of a near 2.5 per cent stake in the company, some 46m shares, at 350p a share.

Food retailer Argyll saw huge options turnover – 4,530 contracts, equivalent to 4.5m shares – encouraging speculation that a bid may be in the offing. KKR, the US leveraged buy-out specialist, was one name being rumoured as taking a keen interest in the UK group, whose shares have been strong performers recently.

Argyll shares retreated 3 to 256p in a generally weak food retail sector as investors were reminded of the industry's problems following results from Iceland. Continuing margin pressure and sales growth decline were worse than the market had been expecting and the shares retreated 4 to 153p.

Turnover in aero-engines group Rolls-Royce rose to 16.2m, with buyers encouraged by an upbeat presentation to institutions on Monday.

Hoare Govett, the group's broker, was said to have had a big buyer, and US investment bank Lehman Brothers was also reported to have been a keen purchaser early in the session. The shares, up initially closed 2½ off at 189½p.

Stocks with a substantial exposure to Hong Kong responded to the big rally on that market overnight, with HSBC jumping 23 to 783p.

There was an element of unease surrounding NatWest's acquisition of Citizens First, the US bank, for $500m. NatWest shares slipped 8 to 464p on heavy turnover of 10m shares.

Sun Alliance slipped 4 to 325p ahead of tomorrow's preliminary results which are expected to reveal profits recovering strongly to around the £175m-£190m mark, against last year's £129m loss.

Water stocks were the best performers in a generally strong utilities sector following a buy recommendation from BZW. The broker's utilities team was said to have pinpointed dividend potential in the sector, and highlighted the attractions of Anglian, 510p, North West, 543p and Severn Trent, 572p, all of which rose 8 on the day.

The power generators also moved ahead strongly, with PowerGen driven by a Kleinwort Benson buy note. The shares put on 5 to 565p.

Oil shares responded to the latest rise in crude oil prices, to above the $14 a barrel level ahead of Friday's Opec meeting in Geneva. Marketmakers were said to have moved quickly to fill in their short trading position in the various stocks, driving BP up 6½ to 377½.

Clyde Petroleum slipped 2¼ to 34p following results described as disappointing by some analysts. However, Hoare Govett, Clyde's broker, said the shares were "obviously oversold compared with their peers." Lasmo dipped late to close 3 off at 128p with the market braced for a possible cut in the dividend and big underlying losses.

News that metals group Johnson Matthey had signed a collaboration deal with Canada's Ballard Power Systems boosted the stock and the shares put on 8 to 590p.

Weak bond markets continued to undermine property stocks, with Panmure Gordon taking a more cautious view on the sector. Land Securities fell 6 to 680p, MEPC 6 to 478p and Slough Estates 10 to 252p.

Packaging group RPC was heavily traded after agency broker Charterhouse Tilney crossed just over 4m shares, equivalent to 6 per cent of the company. Dealers said the trade was priced at 162p and the shares closed 3 lower at that level.

Trinity International the newspaper and packaging group, improved 3 to 458p on increased profits. S.G. Warburg raised its 1994 forecast by £0.5m to £23m.

Unilever was said to have benefited from switch advice out of the NV shares from NatWest Securities.

MARKET REPORTERS:
Christopher Price,
Joel Kibazo, Peter John,
Steve Thompson.

■ Other statistics, Page 23

NEW HIGHS AND LOWS FOR 1993/94

NEW HIGHS (40).

GILTS (1) BLDG MATLS & MCHTS (1) Grafton, CHEMICALS (4) BASF, Bayer, Hoechst, Porvair, DISTRIBUTORS (4) ABI Leisure, ISA Int'l., Norbain, Sanderson Bramall, ELECTRNC & ELECT EQUIP (3) Forward Tech. Inds., NEC, Toshiba, ENGINEERING (3) Manganese Bronze, Metsec, Rolls Royce, ENG. VEHICLES (1) Volkswagen, EXTRACTIVE INDS (5) Anglo Pacific Res., Caledonia Mining, Int'l. Musto, Minorco, Nugini Mining, HEALTH CARE (1) Amersham Int'l., INSURANCE (1) Sedgwick, INVESTMENT TRUSTS (3) EFM Income, London Amer. Growth, M & G Recovery Cap., LEISURE & HOTELS (1) Crockfords, MEDIA (2) Hodder Headline, Phonelink, OIL EXPLORATION & PROD (1) Ohio Resources, PRTNG, PAPER & PACKG (2) Portals, Regent, PROPERTY (2) Bourne End Prop.In Shops, SUPPORT SERVS (1) Kalamazoo, TEXTILES & APPAREL (1) Claremont Garments, AMERICANS (2) Gillette, Loews's, SOUTH AFRICANS (1) Tongaat-Hulett.

NEW LOWS (16).

GILTS (1) DISTRIBUTORS (2) Tribast, Welpac, ELECTRNC & ELECT EQUP (1) Racepur, HEALTH CARE (2) Celsis Int'l., Shield Diagnostics, INSURANCE (1) Hiscox Select, INVESTMENT TRUSTS (1) Kleinwort Euro Prvt., LEISURE & HOTELS (1) Wembley, OIL EXPLORATION & PROD (1) Coplex Resources, PRTNG, PAPER & PACKG (1) Crest Packaging, PROPERTY (1) Chelsfield, SUPPORT SERVS (2) Borland Int'l. Inc., Clinical Computing, AMERICANS (1) Houston Inds.

EQUITY FUTURES AND OPTIONS TRADING

A squeeze in stock index futures at the close of trading enlivened what had been an erratic session in derivatives. The late rally in futures fuelled strong buying of the underling FT-SE 100 Index ahead of the close of the stock market, *writes Joel Kibazo.*

The June contract on the FT-SE 100 closed at 3,211, which was about 2 points ahead of its fair value premium to cash of 10 points, with the strong finish attributed to a late advance in UK gilts. Volume at the official close was 10,275 lots.

Bonds had also been firmer earlier in the day when June opened at 3,208, and good buying drove the contract to the day's peak of 3,229.

However, a bout of nervous trading ahead of the US Federal Open Market Committee meeting saw June surrender early gains and it fell to a low of 3,183 in the early afternoon.

In Liffe FT-SE Mid-250, June traded 97 contracts and it closed at 3,850. The screen showed no turnover in the same contract on the OMLX.

In Liffe traded options, turnover improved to 43,697 contracts ahead of today's expiry of the March stock options. Volume in the FT-SE 100 option was 17,973 lots and 2,594 in the Euro FT-SE option. Bid speculation made Argyll Group the busiest stock option with a total of 4,530 lots.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3208.0	3211.0	+13.0	3229.0	3183.0	13768	55506
Sep	3230.0	3228.0	+12.0	3230.0	3228.0	2	700
Dec	-	3237.0	+13.0	-	-	0	0

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3860.0	3850.0	-5.0	3872.0	3850.0	109	1349

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3872.0	3850.0	-22.0	3872.0	3872.0	1	765
Sep		3865.0					

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3199) £10 per full index point

	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P	3300 C	3300 P	3350 C	3350 P
Apr	217½	10	172½	14	130½	20	93½	35½	59	55½	36½	84½	20	119½	10E	160½

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P	3275 C	3275 P	3325 C	3325 P	3375 C	3375 P
Apr	187½	12½	146½	16½	106½	27½	73½	44½	47½	67½	27½	100½	15	137½	7½	179½
May	212½	30	174	41	139	55	107½	73	79½	94½	57	122	40	154½	27	181
Jun	222½	38			153½	68			98½	111½			58½	170½		
Sep	268	69½			202½	101½			145½	142½			101½	159½		
Dec†	303	98½			239	130½			182	170½			134½	219		

Calls 1,910 Puts 684 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

3850 3900 3950 4000 4050 4100 4150 4200
Apr 63 63 91 124 14 163 7 206 252 1 252
May

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

TRADING VOLUME

■ Major Stocks yesterday

	Vol. 000s	Closing price	Day's change
ASDA Group†	1,100	57	-½
Abbey National†	2,500	482	+2
Albert Fisher	2,500	63	-1
Allied-Lyons†	562	619	+5
Anglian Water	952	510	+8
Argos	669	357	-2
Argyll Group†	2,200	256	-3
Arjo Wiggins†	1,800	296	-2
Assoc. Brit. Foods†	1,100	562	+3
Assoc. Brit. Ports	742	581	+8
BAA†	1,000	1005	-6
BAT Inds.†	2,700	468	+2
BET	5,100	130½	+½
BICC	808	430	-3
BOC†	529	720	+4
BP†	8,300	377½	+6½
BPB Inds.	1,400	332	-5
BT†	4,900	408	-1½
BT (P/Paid)	6,600	290	-2
BTR†	6,400	383	
Bank of Scotland†	908	192	+1
Barclays†	4,500	542	+2
Bass†	1,300	528	+2
Blue Circle†	2,000	342	-5
Booker	241	413	
Boots†	879	540	+4
Bowater†	7,800	453	-39
Brit. Aerospace†	1,200	513½	+6
British Airways†	3,300	436	+5
British Gas†	4,500	307½	+1½
British Land	708	410	
British Steel†	6,700	143	+¼
Bunzl	8,900	173	-10
Burmah Castrol†	174	841	+5
Burton	2,800	57¼	+1¼
Cable & Wire†	10,000	430	+4
Cadbury Schweppes†	1,100	493	-2
Calor Group	59	324	
Caradon†	3,300	387	+5
Carlton Comms.†	1,300	930	-10
Coats Viyella†	1,700	248	-3½
Comm. Union†	2,400	576	-3
Cookson	1,100	273	-2
Courtaulds†	3,600	541	-4
Dalgety	412	453	
De La Rue†	227	965	-15
Dixons	417	211	-1
Eastern Elect.	821	633	+3
East Midland Elect.	103	611	+6
Eng China Clays	858	520	+2
Enterprise Oil†	1,800	417	+4
Eurotunnel Units	187	535	-3
FKI	1,800	209	-3
Fisons	3,300	133½	+1½
Foreign & Col. I.T.	898	288½	+1
Forte†	1,300	262	-½
Gen. Accident†	2,100	623	+6
General Elect.†	3,600	306½	+5
Glaxo†	11,000	662	-21
Glynwed	216	361½	+4½
Granada†	1,300	555	-4
Grand Met.†	1,400	472	+5½
GUS†	2,900	576	+17
GRE†	2,200	192	+2
GKN	268	560	+1
Guinness†	2,900	490½	-½
HSBC (75p shs)†	4,400	783	+23
Hammerson	499	380	-1
Hanson†	4,500	291½	-½
Harrisons Crosfield	308	206	
Hays	72	298	+1
Hillsdown	2,000	178	+5
IMI	95	345	-2
ICI†	3,600	808	+23
Inchcape†	1,100	552	-1

FT - SE Actuaries Share Indices — The UK Series

	Mar 22	Day's chge%	Mar 21	Mar 18	Mar 17	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3201.5	+0.1	3198.0	3218.1	3256.7	2861.1	3.78	5.93	20.42	23.12	1182.93
FT-SE Mid 250	3853.1	....	3854.5	3865.5	3886.6	3145.2	3.16	5.21	23.63	14.80	1403.32
FT-SE Mid 250 ex Inv Trusts	3872.0	-0.1	3875.4	3885.8	3902.2	3167.8	3.27	5.61	22.11	14.40	1405.43
FT-SE-A 350	1625.0	+0.1	1623.8	1632.7	1649.4	1422.5	3.64	5.76	21.09	10.45	1228.40
FT-SE SmallCap	1988.82	-0.3	1994.96	2001.51	2008.99	1563.60	2.83	3.79	33.01	8.11	1516.42
FT-SE SmallCap ex Inv Trusts	1968.99	-0.4	1977.38	1983.59	1988.78	1574.00	2.97	4.17	30.56	7.55	1502.42
FT-SE-A ALL-SHARE	1617.05	....	1616.26	1624.88	1640.76	1406.06	3.56	5.62	21.66	10.13	1243.77

■ FT-SE Actuaries All-Share

	Mar 22	Day's chge%	Mar 21	Mar 18	Mar 17	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(18)	2561.47	+0.9	2539.64	2535.01	2553.63	2149.80	3.55	4.86	25.55	27.63	1012.97
12 Extractive Industries(4)	4003.25	+0.5	3982.34	3989.58	3980.04	3171.70	3.24	4.44	27.08	26.93	1086.76
15 Oil, Integrated(3)	2467.75	+1.1	2442.00	2436.12	2460.28	2022.00	3.68	5.05	24.67	31.69	997.33
16 Oil Exploration & Prod(11)	1844.90	-0.3	1849.93	1840.48	1851.71	2122.50	3.24	3.89	33.01	0.00	1045.14
20 GEN MANUFACTURERS(264)	2138.94	-0.3	2144.55	2152.64	2167.50	1722.30	3.50	4.03	31.94	11.16	1065.01
21 Building & Construction(31)	1416.93	-0.9	1429.63	1431.44	1448.00	938.00	2.52	3.46	36.86	2.61	1085.97

LONDON EQUITIES

LIFFE EQUITY OPTIONS

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	56	1	17
Other Fixed Interest	6	0	9
Mineral Extraction	54	73	78
General Manufactures	117	194	389
Consumer Goods	38	59	95
Services	70	157	291
Utilities	30	9	7
Financials	62	159	170
Investment Trusts	106	44	310
Others	30	70	22
Totals	569	766	1388

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	March 21	Last Declarations	June 30
Last Dealings	April 1	For settlement	July 11

Calls: Amstrad, Caverdale, Cray Elec, Fisons, Hunterprint, Lucas Wts, ML Labs, Regent Corp A, Widney. Puts & Calls: Hanson Wts.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1993/94 High	1993/94 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	30.9	246	241	Abtrust N Dawn C	245	+2	-	-	-	-
135	F.P.	41.2	142	134	Applied Distbrs	136		WN3.6	2.4	3.3	16.1
105	F.P.	32.5	118	101	Cedardata	106	+2	RN1.91	2.9	2.3	17.4
-	F.P.	126.0	65	62	Central Euro Gwth	63		-	-	-	-
-	F.P.	8.40	23	21	Do Warrants	21		-	-	-	-
-	F.P.	9.68	£87½	£87½	Chester Water	£87½		†235.0	4.3	3.4	9.0
-	F.P.	36.9	125	125	County Smlr C	125		-	-	-	-
50	F.P.	130.2	50	45	Edin New Tiger	46½	+½	-	-	-	-
-	P.P.	12.2	50	49	F & C Private Eq	49		-	-	-	-
100	F.P.	144.0	99	93	Fidelity Jpn Values	96	+1	-	-	-	-

RIGHTS OFFERS

FINANCIAL TIMES EQUITY INDICES

FT GOLD MINES INDEX

LONDON SHARE SERVICE

BANKS

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

ENGINEERING, VEHICLES - Cont.

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OIL, INTEGRATED - Cont.

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£22½		£23½	£7½	1,344	3.3	ϕ
Barlow		£6⅝	-⅛	£5¾	£3½	698.2	7.1	8.4
Gold Fields SA R		£14½	+⅛	£18	£7¼	1,399	2.7	24.4
MK Props.	s	80		97	68	3.82	9.9	37.0
SASOL	♥	341	-14	361	215	1,931	4.6	-
SA Brews		£13½	-½	£15⅞	£7½	7,102	2.1	21.7
Tiger Oats		763	-12	898	513	1,146	2.1	16.1
Tongaat-Hulett	†	589	+9	598	212	440.8	2.5	16.4

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols relating to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ☆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on MMR 'Headline Earnings.'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

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FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

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● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Init Chrge | Canc Price | Bid Price | Offer Price | + or - | Yield Gr's

AIB Unit Trust Managers Limited (1000)F
51 Belmont Rd, Uxbridge, Middx UB8 1RZ

Capel-Cure Myers UT Mngt Ltd - Contd.

Capital House Unit Tst Mgrs (1200)F

Fidelity Investment Servs Ltd - Contd.

Guinness Flight Unit Tst Mgrs Ltd (2400)F

Legal & General (U.T. Mgrs) Ltd (1200)F

Metropolitan Unit Trust Mngrs Ltd (1000)F

Millennium Fund Management Ltd (1000)F

Morgan Grenfell Invest Fds Ltd (1000)H

Principal Unit Trust Mngmt Ltd (1600)F

Prolific Unit Tst Mngrs Ltd (1100)F

Schroder Unit Trusts Ltd - Contd.

Pilgrim Unit Trust Mngmt Ltd (0830)F
39 Pilgrim Street, Newcastle upon Tyne NE1 6RQ
Administration & Dealing:
Unit Trust Accounting & Management Ltd
1 White Hart Yard, London SE1 1NX 071-407 5966

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
American	6	110.05	112.07	119.92	+0.23	-
European	6	70.38	70.89	75.42	-0.57	0.00
Global	6	68.31	69.76	74.21	-0.38	-
Pacific	6	65.74	67.78	72.11	-1.06	0.08
UK Income & Growth	6	65.61	67.54	71.85	-0.09	1.89
UK Inc & Gwth Acc	6	71.11	72.86	77.55	-0.10	1.85

Pointon York UT Mngrs (0800)F
The Crescent, King St, Leicester LE1 6RX 0533 550540

Bill Director Dealings	5½	101.93	105.34	112.19	-0.31	-

Portfolio Fund Management Ltd (0900)F
1 White Hart Yard, London SE1 1NX 071-407 5966

Portfolio Fund of Funds	5	162.36	165.34	174.84	—	0.81

Effective Initial Charge reduces for investments over £5,000

Premium Life Unit Tst Mngrs Ltd (1400)F
37 Perrymount Rd, Haywards Heath 0444 458721

Monthly Income	6	58.97	60.78	64.40	-0.04	1.96
Growth Accum	6	62.73	64.94	68.85	-0.18	1.45
Growth Income	6	62.43	64.65	68.32	-0.15	1.45

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (✱) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Thornton Unit Managers Ltd (1200)F
33 Queen Street, London EC4R 1AJ 071-246 3000
Dealing 071-246 3001

	Init Chge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
American Smllr Cos	5	70.84	70.84	75.56	-0.68	0.00
(Accum Units)	5	73.08	73.08	77.93	-0.71	0.00
Emerging Europe Gd	5	42.36	42.36	44.40	+0.75	0.53
(Accum Units)	5	61.09	61.09	64.20	+0.35	0.53
European	5	281.91	281.91	298.60	+1.73	0.85
(Accum Units)	5	282.78	282.78	299.61	+1.72	0.85
Exempt	2½	548.17	548.17	573.00	-0.60	3.34
(Accum Units)	2½	1777.78	1777.78	1858.36	-1.91	3.34
Iberian Growth	5½	50.61	50.61	53.84	-0.09	0.42
Inc Growth	5	110.48	110.48	117.75	-0.24	0.58
(Accum Units)	5	120.29	120.29	128.20	-0.27	0.58
Japan Tst	5	92.57	92.57	98.74	-1.02	0.00
(Accum Units)	5	92.57	92.57	98.74	-1.02	0.00
Little Dragons	5	98.01	98.01	102.41	+1.92	0.45
(Accum Units)	5	98.85	98.85	105.44	+1.98	0.45
Nth Amer Grth	5	237.38	237.38	252.53	-1.80	0.62
(Accum Units)	5	294.81	294.81	313.62	-2.00	0.62
Oriental Income	5	47.88	47.88	51.07	+0.28	4.84
(Accum Units)	5	63.11	63.11	67.31	+0.37	4.84
Preference	5½	130.23	130.23	138.54	+0.17	7.87
(Accum Units)	5½	631.79	631.79	672.12	+0.82	7.87
Tiger	5	269.34	269.34	287.29	+4.86	0.56
(Accum Units)	5	282.97	282.97	301.83	+5.22	0.55
UK Blue Chip	5	64.40	64.40	68.80	-0.04	2.87
(Accum Units)	5	67.85	67.85	72.54	-0.04	2.87
UK Growth	5½	539.83	539.83	593.85	-0.62	2.10
(Accum Units)	5½	1173.31	1173.31	1253.26	-1.35	2.10
UK High Yield	5½	109.88	109.88	116.89	-0.12	3.27
(Accum Units)	5½	342.71	342.71	364.58	-0.37	3.27
UK Recovery	5½	281.68	281.68	299.66	-1.30	1.81
(Accum Units)	5½	513.41	513.41	546.18	-2.65	1.81
UK Smllr Cos	5	106.20	106.20	117.28	-0.18	1.72
(Accum Units)	5	124.89	124.89	132.94	-0.21	1.72
Uk Smaller Cos Div	5½	108.50	108.50	116.51	-0.31	4.20
(Accum Units)	5½	181.64	181.64	193.23	-0.52	4.20

Waverley Unit Tst Mngmt Ltd (1000)F
13 Charlotte Sq, Edinburgh 031-225 1551

	Init Chge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
Australasian Gold	6	32.8	33.33	35.45	-0.45	–
Pacific Basin	6	40.54	40.64	43.12	-0.53	0.6
Can Resrcd Grth	6	35.43	35.43	38.75	-0.65	–
Global Bond	4	0.8986	0.9096	0.9475	–	5.61
Penny Share	6	30.61	30.81	32.77	-0.32	1.5

Whittingdale Unit Tst Mngmt Ltd (0830)F

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

	Bid Price	Offer Price	+ or -	Yield Gross
Prop Ser. 1	275.9	290.5	–	–
Equity Ser. 1	174.7	183.9	+0.10	–
Prop. Acc. Ser 2	503.8	530.4	–	–
Equity Ser 2	226.7	238.7	+0.20	–
Selective Acc. Ser 2	485.4	511.0	+0.50	–
Prop Ser. 4	392.3	413.0	–	–
Equity Ser. 4	216.3	227.7	+0.30	–
Man. Ser. 4	675.1	710.7	-0.40	–
Fixed Int. Ser 4	345.8	364.1	+1.30	–
Indexed Inv. Ser. 4	210.0	221.1	+0.40	0
American Ser. 4	524.5	552.2	-4.40	–
Japan Ser 4	379.8	399.8	-3.0	–
European Ser 4	168.2	177.1	+0.60	–
High Inc. Ser. 4	677.1	712.8	+0.80	–
Money Ser 4	321.4	338.4	–	0.0
Intl Ser. 4	194.0	204.3	-0.60	–
Custodian Ser. 4	172.3	181.4	-0.10	0
Asian Pacific	203.6	214.4	+0.90	–
Ethical	139.9	147.3	–	0
Protected Growth	109.4	115.2	–	–
Pension Funds				
Property	763.1	803.4	–	–
Equity	1723.7	1814.5	+1.20	–
Selective	552.1	581.2	+0.50	–
Managed	1450.1	1526.5	-4.60	–
Security	701.4	738.4	–	–
Fixed Int.	443.2	466.5	+1.70	–
Indexed	237.2	249.7	+0.40	–
American	500.4	526.8	-5.0	–
Japan	432.7	455.5	-4.20	–
European	262.6	276.5	+0.90	–
High Income	207.5	218.5	+0.30	0
Ethical	211.6	222.8	–	0
International	383.3	403.5	-3.20	–
Protected Growth	123.8	130.2	-0.10	0
Asian Pacific	87.1	91.7	+0.30	–

Abbey National Life Plc
287 St Vincent Street, Glasgow 041 305 6000

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	116.2	121.3	-0.2	–
UK Equity	115.3	121.4	-0.3	–
International	120.4	126.8	–	–
Deposit	100.2	105.6	–	–
Pension Managed	116.8	123.1	-0.3	–

OTHER UK UNIT TRUSTS

INSURANCES

FT MANAGED FUNDS SERVICE

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S-E-Banken Life Assurance Co Ltd

149-151 High Rd, Chadwell Hth RM6 6PJ 081-597 7586

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Fund	156.6	164.9	-0.8	-
Pension Mngd Fd	176.1	185.4	-0.8	-

Save & Prosper Group (z)

16-22 Western Rd, Romford RM1 3LB 0708-766966

	Bid Price	Offer Price	+ or -	Yield Gross
Bal Inv Fd	768.0	812.8	-1.3	2.19
Convertible Act Bond Fd	156.6	167.9	-0.7	-
Deposit Fd†	361.4	382.5	-	5.74
Directors' Portfolio	84.2	89.2	+0.1	-
Equity Pens Fd	194.2	205.6	-0.2	-
European Mngd Fd	68.7	72.7	-0.3	-
Gilt Fd	516.3	546.4	+0.3	8.16
Gilt Pens Fd	142.7	150.5	-	7.86
Global Equity Fd	282.3	298.5	-1.0	-
Global Eq Pens Fd	239.6	253.6	-0.9	-
High Int Pens Fd†	132.9	140.7	-	5.45
Japanese Mngd Fd	105.4	111.6	-0.6	-
Managed Income Fd	50.1	53.1	-	8.14
Man Pens Fd	199.0	210.6	-0.5	2.00
North American Mngd Fd	72.4	76.7	-0.1	-
Pacific Mngd Fd	81.8	86.6	-0.6	-
Property Fd*	107.5	107.5	-	5.82
Prop Pens Fd*	133.5	141.3	-	6.45
Thornton Lambert Managed	230.3	243.8	-0.3	-
UK Capital Portfolio	62.9	66.6	-0.2	-
UK Managed Gth Fd	62.2	65.9	-0.2	-

†Weekly dealings. *Fortnightly dealings

Scottish Amicable

150 St Vincent St, Glasgow 041-248 2323

[illegible]

OFFSHORE INSURANCES

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
Greece Fund Ltd				
NAV Mar 17	$24.71		—	–
John Govett Management (Jersey) Ltd				
Paragon Fd NAV Feb 28	$10.30		—	–
Paragon Redemption	$9.98		—	–
Govett India Fund	$11.31	11.89	—	–
Taiwan Capital	$8.82	9.30	—	–
INVESCO International Limited				
All Funds deal daily except where indicated.				
American Equity Inc	£1.9169	2.0558	+0.0120	3.12
Apollo Fd Mar 16	SFr118.59	125.01	—	–
Jupiter Tyndall (Jersey) Ltd				
Gilt Fd	121.2	127.4	-0.1	7.86
Accum Shares	794.5	834.4	-0.6	7.85
Managed Currency Stg	123	130	—	–
International	489	514	-3	0.23
Lloyds Bank Trust Co (CI) Mngrs				
Dealing Weekly on Thursday				
Lombard Odier (Jersey) Ltd				
Fixed Income Funds				
Class A US$ Mstd	$33.35		-0.10	–

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Cresvale Group (u)						
11 Rue Aldringen, L-1118 Luxembourg 071-387 6400						
Hedge Fund				21.71	—	–
Hedge Fund US$ II				19.35	—	–
Hedge (C)				69.12	—	–
DB Investment Management SA						
2 Boulevard Konrad Adenauer, Lux 010 352 421011						
DM Reserve	DM-		159.42	161.02	—	–
Den norske Bank						
2 boulevard Royal, Lux 010 352 4590 3271						
DnB Inv Nordic Eq Cap	NKr-		13124.73			–
Disa Income Fund						
DISA Income	Fr-		47.09		—	–
Dolphin Intl Investments (u) SICAV						
14 rue Aldringen, L-1118 Luxembourg 0534 27381						
Dresdnerbank Asset Mngmt SA (u)						
E.T. Investment Management Ltd						
13 Rue Goethe, BP 413, Luxembourg 010 352 4040461						
Establishment Tst Mar 21	$-		2.39		-0.04	–
Eagle Star – Global Assets Fund (u)						
5 Rue Aldringen L-1118 Luxembourg						
UK Equity	£-		1.659	1.762		
Pacific Basin Equity	£-		2.308	2.454		
European Equity	£-		1.719	1.827		
US Dollar Bond	£-		1.489			

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

For Wardley Inv Serv see HSBC Am Mgmt Bahamas

	Bid Price	Offer Price	+ or -	Yield Gross
Wellington Fd Mngrs (Bermuda) Ltd				
Intnl Growth Fd	$16.93	17.77	—	–
Wells Fargo U.S. IT Fund				
Wells Fargo A Shs (z)	$12.48		-0.09	–
Wells Fargo B Shs (z)	$13.40		-0.09	–
Worldwide Limited				
NAV Feb 28	$92.34		—	–
Xiphias International Investment Fd Ltd				
Xiphias Intl US$ Acc	$1.4891		—	–
Xiphias Intl ECU Acc	Ecu1.5854		—	–
Xiphias Intl ECU Dis	Ecu1.3718		—	–
Yamaichi Capital Management (Guernsey) Ltd				
Thai Inv Fund	$18.31		—	–

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. b Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. u Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities). x Offered price includes all expenses except agent's commission. z Previous day's price. ✠ Guernsey gross. ∅ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.
(**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey: Financial Services Commission; Ireland: Central Bank of Ireland; Isle of Man: Financial Supervision Commission; Jersey: Financial Services Department; Luxembourg: Institut Monétaire Luxembourgeois.

CURRENCIES AND MONEY

MARKETS REPORT

Market waits on Fed

Foreign exchanges face another day of tense anticipation today after the Federal Reserve failed yesterday to tighten US credit policy, *writes Philip Gawith.*

The dollar dropped half a pfennig after the US central bank added reserves with two-day system repos which suggested no change in monetary policy. The Fed moved quickly, however, to quash rumours by saying the FOMC meeting, which runs over two days, had yet to discuss monetary policy.

Analysts said yesterday's action by the Fed was simply a holding operation. There is a strong consensus that the Federal Open Market Committee (FOMC), the policy-making arm of the Fed, will take a decision to tighten policy.

This decision will either be implemented today at "Fed time" - 4.30pm GMT, when the Fed conducts its daily open market operations - or later, at a moment of the Fed's choosing.

Any action from the Fed today is likely to coincide with a further reduction by the Bundesbank of the German repo rate. The combination of a rise in US rates and a lowering of German rates could well give the dollar a significant upward lift.

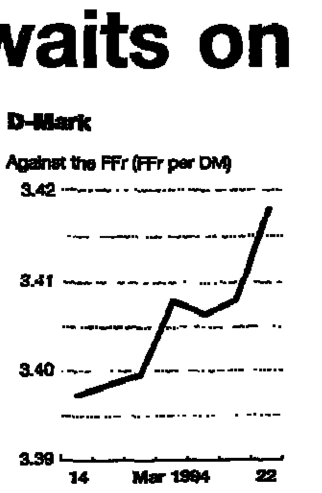
In the UK, meanwhile, the release of the February retail price index is keenly awaited. Some observers believe a good number could trigger a cut in interest rates, but this is a minority view.

■ After spiking below DM1.68 after the Fed's daily operations, the dollar bounced back and was trading at DM1.6870 yesterday evening. A similar pattern was evident against the yen, spiking below Y105.73 before trading later at Y106; and against sterling, where the dollar spiked up to $1.4915, before trading later at $1.4870.

The dollar continues to be wrapped in bearish sentiment. Analysts say that the problem for the US currency is that an interest rate increase of 25 basis points is already priced in. The dollar's weakness was illustrated by it finishing lower in London at DM1.6885 against the D-Mark from DM1.6979, despite the prospect today of US rates rising and German rates falling.

D-Mark

Against the FFr (FFr per DM)



Source: Datastream

■ **Pound in New York**

Mar 22	Latest	Prev. close
£ spot	1.4870	1.4885
1 mth	1.4850	1.4864
3 mth	1.4826	1.4838
1 yr	1.4780	1.4789

In the money markets, Fed funds came off from the 3¼ per cent, where they had been trading before the Fed acted, to 3 3/16-3¼ per cent. This move was echoed in the futures market with eurodollar contracts slightly firmer than on Monday, suggesting a scaling back in expectations of the likely extent of credit tightening.

The June contract was trading at 95.60, from 95.58, while the December contract was also two points firmer at 94.75.

With Fed funds now at 3.25 per cent, and three month money at 3.93/4.00 per cent, the spread between the two rates is currently 75 points. Assuming the same size spread, the June contract is discounting three month money of 3.65 per cent, 40 points higher than the current level. For September the figure is 80 points, while for December it is 125 points.

■ The D-Mark was firmer across the board in Europe. It closed at FFr3.418 from FFr3.407 on Monday against the French franc. Analysts warned that if the Bundesbank did not quicken the pace of monetary easing, the steady weakening over the past week of the franc could continue.

The Bundesbank announced it was holding another variable rate repo. The lowest bid accepted last week was 5.88 per cent, a reduction of six basis points in the repo rate. Analysts are predicting a fall of up to ten basis points.

Overnight rates firmed slightly, from 5.70/5.80 per cent on Monday, with some quotes of 5.80/5.90 per cent reported. Ms Phyllis Reed, European bond strategist at BZW, said the move had not been very convincing and doubted whether it would be enough to stop a good repo.

"All the signs are that liquidity is quite good so it could be that the banks are getting jumpy on the Fed tightening," she said. Supporting the case for a fall of up to ten points in the repo rate, Ms Reed noted that the mid-point of the overnight rate was still below the repo rate and this was normally a good sign. "Banks tend to be quite ambitious on the bidding," she said. Last week the overnight rate fell to the repo rate level only at the time of the auction.

The repo announcement triggered a rally in the futures market. The June three month euromark contract firmed one point to settle at 94.51 while the December contract rose six points to 94.95. Both moves indicate a more positive outlook about German interest rates falling.

■ Sterling finished more than a pfennig weaker against the D-Mark, closing in London at DM2.5094 from DM2.5205. Traders said the UK currency was being affected by speculation about an interest rate cut.

Mr Robin Marshall, chief economist at Chase Manhattan, warned there was a danger of a rate cut backfiring. If it upsets the gilts market, this will put upward pressure on mortgage rates.

In the discount market the Bank of England dispatched a shortage of £750m without difficulty. Sterling futures firmed slightly with the June contract a basis point up at 94.85.

■ **OTHER CURRENCIES**

Mar 22	£	$
Hungary	153.473 - 153.725	103.300 - 103.400
Iran	2597.00 - 2603.00	1748.00 - 1750.00
Kuwait	0.4423 - 0.4438	0.2977 - 0.2985
Poland	32853.3 - 32875.4	22113.0 - 22113.0
Russia	2578.56 - 2585.99	1735.00 - 1740.00
U.A.E.	5.4566 - 5.4596	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Mar 22		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.6843	-0.1015	546 - 739	17.8460	17.6315	17.6805	0.3	17.6549	0.2	-	-	113.9
Belgium	(BFr)	51.7793	-0.1114	321 - 264	52.1570	51.6590	51.8243	-1.0	51.8993	-0.9	52.0993	-0.6	114.8
Denmark	(DKr)	9.8588	-0.0178	529 - 647	9.8865	9.8365	9.8677	-1.1	9.8824	-1.0	9.9172	-0.6	114.7
Finland	(FM)	8.2487	-0.0356	384 - 589	8.3070	8.2320	-	-	-	-	-	-	81.0
France	(FFr)	8.5789	-0.0126	725 - 812	8.6036	8.5534	8.5862	-1.3	8.6017	-1.2	8.6288	-0.6	108.3
Germany	(DM)	2.5094	-0.0111	080 - 107	2.5285	2.5051	2.5111	-0.8	2.5137	-0.7	2.5145	-0.2	123.3
Greece	(Dr)	366.646	-1.139	225 - 066	368.330	366.089	-	-	-	-	-	-	-
Ireland	(I£)	1.0382	-0.0015	371 - 392	1.0429	1.0349	1.0391	-1.0	1.0406	-0.9	1.0469	-0.8	102.6
Italy	(L)	2484.56	-5.69	298 - 613	2489.30	2479.15	2491.86	-3.5	2504.66	-3.2	2555.41	-2.9	75.7
Luxembourg	(LFr)	51.7793	-0.1114	321 - 264	52.1570	51.6590	51.8243	-1.0	51.8993	-0.9	52.0993	-0.6	114.8
Netherlands	(Fl)	2.8226	-0.0112	209 - 243	2.8450	2.8170	2.8233	-0.3	2.8241	-0.2	2.8205	0.1	118.5
Norway	(NKr)	10.9073	-0.0261	010 - 135	10.9895	10.8835	10.9017	0.6	10.9142	-0.3	10.9054	0.0	84.9
Portugal	(Es)	258.599	-0.372	438 - 760	260.100	258.200	259.574	-4.5	261.519	-4.5	-	-	-
Spain	(Pta)	205.757	-0.618	651 - 863	206.350	205.605	206.337	-3.4	207.342	-3.1	211.157	-2.6	85.3
Sweden	(SKr)	11.7046	-0.0083	959 - 137	11.7140	11.6296	11.7248	-2.1	11.7603	-1.9	11.8693	-1.4	76.7
Switzerland	(SFr)	2.1250	-0.009	235 - 264	2.1345	2.1214	2.1235	0.8	2.1199	1.0	2.0996	1.2	118.2
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	80.3
Ecu	-	1.3024	-0.0034	014 - 034	1.3065	1.3000	1.3039	-1.4	1.3063	-1.2	1.3107	-0.6	-
SDR†	-	0.941860	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.4847	+0.0002	827 - 867	1.4915	1.4825	-	-	-	-	-	-	-
Brazil	(Cr)	1218.25	+22.57	783 - 866	1220.00	1195.00	-	-	-	-	-	-	-
Canada	(C$)	2.0294	+0.0043	283 - 304	2.0420	2.0224	2.0274	1.2	2.0255	0.8	2.0277	0.1	88.3
Mexico	(New Peso)	4.9342	+0.0056	251 - 433	4.9445	4.9230	-	-	-	-	-	-	-
USA	($)	1.4862	+0.0017	857 - 867	1.4915	1.4837	1.4843	1.5	1.4818	1.2	1.4775	0.6	68.3
Pacific/Middle East/Africa													
Australia	(A$)	2.0937	-0.0003	922 - 951	2.1072	2.0921	2.0922	0.9	2.0898	0.7	2.0879	0.3	-
Hong Kong	(HK$)	11.4816	+0.0086	770 - 862	11.5263	11.4648	11.4698	1.4	11.4632	0.6	11.4141	0.6	-
India	(Rs)	46.6203	+0.0496	990 - 415	46.7850	46.5470	-	-	-	-	-	-	-
Japan	(Y)	157.545	-0.243	455 - 635	158.710	157.230	157.185	2.7	156.455	2.8	153.28	2.7	183.9
Malaysia	(M$)	4.0495	+0.0084	473 - 516	4.0569	4.0438	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.6058	-0.0011	033 - 082	2.6259	2.6025	2.6087	-1.3	2.613	-1.1	2.6216	-0.6	-
Philippines	(Peso)	40.9821	+0.0469	082 - 559	41.5685	40.6600	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.5732	+0.0067	711 - 753	5.5925	5.5637	-	-	-	-	-	-	-
Singapore	(S$)	2.3571	+0.0026	559 - 582	2.3640	2.3536	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.1211	-0.0001	182 - 239	5.1445	5.1085	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.8551	+0.0488	454 - 648	6.8850	6.8255	-	-	-	-	-	-	-
South Korea	(Won)	1201.30	+2.71	015 - 244	1204.10	1200.00	-	-	-	-	-	-	-
Taiwan	(T$)	39.2654	+0.082	522 - 786	39.3600	39.2000	-	-	-	-	-	-	-
Thailand	(Bt)	37.6009	+0.0133	734 - 284	37.7500	37.5520	-	-	-	-	-	-	-

†SDR rate for Mar 21. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Mar 22		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	11.8855	-0.082	830 - 880	11.9050	11.8600	11.9065	-2.1	11.933	-1.6	11.9365	-0.4	103.1
Belgium	(BFr)	34.8400	-0.115	200 - 600	35.0000	34.7450	34.92	-2.8	35.035	-2.2	35.3	-1.3	104.2
Denmark	(DKr)	6.6336	-0.0196	318 - 353	6.6408	6.6179	6.6509	-3.1	6.6729	-2.4	6.7176	-1.3	103.4
Finland	(FM)	5.5502	-0.0303	451 - 552	5.5723	5.5368	5.556	-1.2	5.5605	-0.7	5.5682	-0.3	76.0
France	(FFr)	5.7710	-0.0152	700 - 720	5.7792	5.7535	5.7846	-2.8	5.8048	-2.3	5.8385	-1.2	104.6
Germany	(D)	1.6865	-0.0094	861 - 868	1.6960	1.6853	1.6918	-2.3	1.6964	-1.9	1.7019	-0.8	104.7
Greece	(Dr)	246.700	-1.05	500 - 900	247.700	246.400	250.6	-19.0	257.35	-17.3	286.45	-16.1	70.9
Ireland	(I£)	1.4316	+0.0037	306 - 326	1.4359	1.4288	1.4284	2.7	1.424	2.1	1.4101	1.5	-
Italy	(L)	1671.75	-5.75	125 - 225	1673.25	1668.75	1679.25	-5.4	1690.75	-4.5	1731.5	-3.6	76.3
Luxembourg	(LFr)	34.8400	-0.115	200 - 600	35.0000	34.7450	34.92	-2.8	35.035	-2.2	35.3	-1.3	104.2
Netherlands	(Fl)	1.8992	-0.0097	987 - 997	1.9075	1.8940	1.9024	-2.1	1.9062	-1.5	1.9112	-0.6	103.7
Norway	(NKr)	7.3391	-0.026	373 - 408	7.3740	7.3185	7.3491	-1.6	7.3629	-1.3	7.3781	-0.5	94.9
Portugal	(Es)	174.000	-0.45	950 - 050	174.950	173.750	175.04	-7.2	176.5	-5.7	181.725	-4.4	93.1
Spain	(Pta)	138.445	-0.575	420 - 470	138.700	138.250	139.045	-5.2	139.965	-4.4	143.075	-3.3	80.5
Sweden	(SKr)	7.8757	-0.0146	723 - 790	7.8820	7.8325	7.9027	-4.1	7.9405	-3.3	8.0457	-2.2	82.2
Switzerland	(SFr)	1.4298	-0.0077	293 - 303	1.4335	1.4275	1.4308	-0.7	1.4308	-0.3	1.4219	0.6	104.5
UK	(£)	1.4862	+0.0017	857 - 867	1.4915	1.4837	1.4843	1.5	1.4818	1.2	1.4775	0.6	89.2
Ecu	-	1.1411	+0.0042	406 - 416	1.1432	1.1396	1.1382	3.1	1.1341	2.5	1.1262	1.3	-
SDR†	-	1.39659	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9990	-0.001	980 - 000	1.0001	0.9980	-	-	-	-	-	-	-
Brazil	(Cr)	819.705	+14.262	700 - 710	819.720	819.700	-	-	-	-	-	-	-
Canada	(C$)	1.3655	+0.0013	652 - 657	1.3695	1.3620	1.3663	-0.7	1.3679	-0.7	1.3788	-0.8	84.9
Mexico	(New Peso)	3.3200	-	150 - 250	3.3250	3.3150	3.321	-0.4	3.3228	-0.3	3.3302	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	101.4
Pacific/Middle East/Africa													
Australia	(A$)	1.4088	-0.0017	083 - 093	1.4146	1.4075	1.41	-1.1	1.4147	-1.7	1.4253	-1.2	87.4
Hong Kong	(HK$)	7.7255	-0.003	250 - 260	7.7286	7.7250	7.7285	-0.5	7.7345	-0.5	7.7592	-0.4	-
India	(Rs)	31.3688	-0.0025	650 - 725	31.3750	31.3625	31.4338	-2.5	31.5688	-2.6	-	-	-
Japan	(Y)	106.005	-0.285	980 - 030	106.180	105.830	105.9	1.2	105.59	1.6	103.755	2.1	145.0
Malaysia	(M$)	2.7247	+0.0032	242 - 252	2.7260	2.7195	2.7177	3.1	2.7022	3.3	2.7647	-1.5	-
New Zealand	(NZ$)	1.7533	-0.0028	522 - 544	1.7622	1.7520	1.7545	-0.9	1.759	-1.3	1.7809	-1.6	-
Philippines	(Peso)	27.5750	-	000 - 500	27.7500	27.4000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7500	+0.0002	498 - 501	3.7505	3.7490	3.7507	-0.2	3.753	-0.3	3.7845	-0.4	-
Singapore	(S$)	1.5860	-	857 - 862	1.5870	1.5850	1.5853	0.5	1.5848	0.3	1.5834	0.2	-
S Africa (Com.)	(R)	3.4458	-0.004	450 - 465	3.4500	3.4410	3.4623	-5.7	3.4863	-4.9	3.5813	-3.9	-
S Africa (Fin.)	(R)	4.6125	+0.0275	075 - 175	4.6200	4.5975	4.6465	-8.8	4.7065	-8.2	-	-	-
South Korea	(Won)	808.300	+0.9	800 - 800	809.000	807.100	811.3	-4.5	814.8	-3.2	833.3	-3.1	-
Taiwan	(T$)	26.4200	+0.025	200 - 200	26.4300	26.4000	26.4855	-3.0	26.586	-2.5	-	-	-
Thailand	(Bt)	25.3000	-0.02	900 - 100	25.3200	25.2800	25.38	-3.8	25.505	-3.2	26.025	-2.9	-

†SDR rate for Mar 21. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan indices shown for Mar 21. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Mar 22		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.04	16.56	4.846	2.005	4799	5.452	21.07	499.4	397.1	22.60	4.104	1.931	3.919	2.870	304.2	2.514
Denmark	(DKr)	52.52	10	8.700	2.545	1.053	2521	2.863	11.07	262.3	208.5	11.87	2.155	1.014	2.058	1.507	159.8	1.321
France	(FFr)	60.37	11.49	10	2.925	1.210	2897	3.291	12.72	301.5	239.7	13.64	2.478	1.166	2.366	1.733	183.6	1.518
Germany	(DM)	20.64	3.929	3.418	1	0.414	990.4	1.125	4.348	103.1	81.94	4.663	0.847	0.399	0.809	0.592	62.77	0.519
Ireland	(I£)	49.88	9.498	8.263	2.417	1	2394	2.720	10.51	249.1	198.1	11.27	2.047	0.963	1.955	1.432	151.7	1.254
Italy	(L)	2.084	0.397	0.345	0.101	0.042	100.	0.114	0.439	10.41	8.274	0.471	0.086	0.040	0.082	0.060	6.338	0.052
Netherlands	(Fl)	18.34	3.492	3.038	0.889	0.368	880.3	1	3.865	91.60	72.83	4.145	0.753	0.354	0.719	0.526	55.79	0.461
Norway	(NKr)	47.46	9.037	7.862	2.300	0.951	2278	2.588	10	237.0	188.5	10.72	1.948	0.917	1.860	1.362	144.4	1.193
Portugal	(Es)	20.02	3.812	3.317	0.970	0.401	960.9	1.092	4.219	100.	79.51	4.524	0.822	0.387	0.785	0.575	60.90	0.503
Spain	(Pta)	25.18	4.795	4.172	1.220	0.505	1209	1.373	5.306	125.8	100.	5.691	1.034	0.488	0.987	0.723	76.61	0.633
Sweden	(SKr)	44.26	8.426	7.331	2.144	0.887	2124	2.413	9.325	221.0	175.7	10	1.816	0.855	1.734	1.270	134.6	1.113
Switzerland	(SFr)	24.37	4.640	4.036	1.181	0.488	1169	1.328	5.134	121.7	96.75	5.506	1	0.471	0.955	0.699	74.12	0.613
UK	(£)	51.78	9.859	8.577	2.509	1.038	2485	2.823	10.91	258.6	205.6	11.70	2.125	1	2.029	1.486	157.5	1.302
Canada	(C$)	25.52	4.859	4.227	1.237	0.512	1225	1.391	5.377	127.5	101.3	5.766	1.047	0.493	1	0.732	77.62	0.642
US	($)	34.85	6.635	5.772	1.688	0.699	1672	1.900	7.342	174.0	138.4	7.873	1.430	0.673	1.365	1	106.0	0.876
Japan	(Y)	328.8	62.60	54.46	15.93	6.590	15778	17.92	69.27	1642	1305	74.29	13.49	6.349	12.88	9.435	1000.	8.267
Ecu		39.77	7.572	6.588	1.927	0.797	1909	2.168	8.379	198.6	157.9	8.986	1.632	0.768	1.558	1.141	121.0	1

Yen per 1,000: Danish Kroner, French Franc, Norwegian Kroner and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.5888	0.5901	+0.0013	0.5908	0.5880	44,277	90,679
Sep	0.5886	0.5886	+0.0010	0.5886	0.5881	60	2,649
Dec	-	0.5872	-	0.5872	-	3	116

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.9465	0.9455	-0.0004	0.9482	0.9453	16,392	47,820
Sep	0.9523	0.9513	+0.0004	0.9523	0.9510	66	1,835
Dec	-	0.9565	-	0.9567	0.9565	10	394

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.6976	0.6990	+0.0014	0.7002	0.6972	13,326	32,057
Sep	0.7004	0.7008	+0.0024	0.7010	0.7000	22	262
Dec	0.7015	0.7015	+0.0015	0.7015	0.7015	2	37

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.4844	1.4826	-0.0018	1.4880	1.4800	19,338	24,410
Sep	-	1.4820	-	1.4820	1.4800	10	830
Dec	-	1.4800	-	1.4800	1.4780	15	33

EMS EUROPEAN CURRENCY UNIT RATES

Mar 22	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.808628	0.797897	+0.001228	-1.33	4.36	9
Netherlands	2.19672	2.16806	-0.0021	-1.30	4.33	-
Belgium	40.2123	39.7390	-0.0339	-1.18	4.20	9
Germany	1.94964	1.92829	-0.00254	-1.10	4.11	-
France	6.53883	6.58612	+0.00779	0.72	2.23	-6
Denmark	7.43679	7.57410	+0.00365	1.85	1.11	-13
Spain	154.250	158.145	+0.122	2.53	0.44	-18
Portugal	192.854	198.589	+0.188	2.97	0.00	-20
NON ERM MEMBERS						
Greece	264.513	281.719	+0.05	6.50	-3.32	-
Italy	1793.19	1906.87	-1.45	6.34	-3.17	-
UK	0.786749	0.768805	+0.002332	-2.28	5.38	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	Calls Apr	Calls May	Calls Jun	Puts Apr	Puts May	Puts Jun
1.400	8.40	8.35	8.42	-	0.06	0.27
1.425	5.99	6.12	6.34	-	0.27	0.62
1.450	3.68	4.08	4.47	0.17	0.72	1.23
1.475	1.82	2.47	2.92	0.75	1.54	2.16
1.500	0.64	1.31	1.83	2.07	2.82	3.44
1.525	0.15	0.61	1.04	4.02	4.61	5.14

Previous day's vol., Calls 9,886 Puts 39,269 . Prev. day's open int., Calls 502,352 Puts 429,923

WORLD INTEREST RATES

MONEY RATES

March 22	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	-	6 1/4	6 1/8	6 1/8	6 1/8	7.40	5.00	-
week ago	-	6 1/4	6 1/8	6 1/8	6 1/8	7.40	5.00	-
France	6 1/4	6 3/8	6 1/4	6 1/8	5 7/8	6.10	-	7.75
week ago	6 3/8	6 3/8	6 1/4	6 1/8	5 7/8	6.10	-	7.75
Germany	5.75	5.85	5.75	5.58	5.38	6.75	5.25	5.88
week ago	5.90	5.85	5.80	5.65	5.43	6.75	5.25	5.94
Ireland	6 3/4	6 3/4	6 1/2	6 1/2	6 1/2	-	-	6.75
week ago	6 3/4	6 3/4	6 1/2	6 1/2	6 1/2	-	-	6.75
Italy	8 1/2	8 1/4	8 1/4	8 1/4	8 1/4	-	8.00	8.92
week ago	8 3/8	8 1/4	8 1/4	8 3/8	8 3/8	-	8.00	8.92
Netherlands	5.53	5.49	5.35	5.26	5.25	-	5.25	-
week ago	5.53	5.49	5.29	5.20	5.16	-	5.25	-
Switzerland	4 1/4	4 1/4	4 1/8	4 1/8	4	6.625	4.00	-
week ago	4	4 1/4	4 1/8	4	3 7/8	6.625	4.00	-
US	3 1/2	3 5/8	3 7/8	4 1/8	4 5/8	-	3.00	-
week ago	3 3/8	3 5/8	3 7/8	4 1/8	4 5/8	-	3.00	-
Japan	2 1/4	2 1/4	2 1/4	2 1/4	2 3/8	-	1.75	-
week ago	2 1/4	2 1/4	2 1/4	2 1/4	2 3/8	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	3 3/4	4	4 1/2	4 7/8	-	-	-
week ago	-	3 3/4	3 7/8	4 1/8	4 3/4	-	-	-
US Dollar CDs	-	3.52	3.75	4.06	4.48	-	-	-
week ago	-	3.52	3.68	3.98	4.39	-	-	-
SDR Linked Ds	-	3 1/8	3 1/4	3 5/8	4	-	-	-
week ago	-	3 1/8	3 1/4	3 5/8	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 6 3/8; 3 mths: 6 1/4; 6 mths: 6 1/8; 1 year: 6 . $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Mar 22	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	6 1/4 - 6 1/8	6 1/4 - 6 1/8	6 1/4 - 6 1/8	6 1/8 - 6	6 1/8 - 6	6 1/16 - 5 15/16
Danish Krone	6 1/2 - 6 1/4	6 1/2 - 6 1/4	6 3/8 - 6	6 1/8 - 6	6 1/4 - 6	6 - 5 3/4
D-Mark	5 7/8 - 5 3/4	5 13/16 - 5 11/16	5 13/16 - 5 7/8	5 13/16 - 5 3/4	5 11/16 - 5 5/8	5 9/16 - 5 1/2
Dutch Guilder	5 7/16 - 5 5/16	5 9/16 - 5 7/16	5 1/2 - 5 3/8	5 3/8 - 5 1/4	5 5/16 - 5 3/16	5 3/16 - 5 1/16
French Franc	6 3/16 - 6 1/16	6 5/16 - 6 1/8	6 5/16 - 6 3/16	6 5/16 - 6 1/16	6 5/16 - 6 1/16	6 - 5 7/8
Portuguese Esc.	10 1/4 - 10	10 1/4 - 10	10 - 9 7/8	9 3/4 - 9 5/8	9 1/2 - 9 1/4	9 1/2 - 9 1/4
Spanish Peseta	8 1/4 - 8 1/16	8 1/4 - 8 1/16	8 3/16 - 8	8 3/16 - 8	8 1/8 - 7 15/16	8 1/8 - 7 15/16
Sterling	5 1/8 - 5	5 1/4 - 5 1/8	5 1/4 - 5 1/8	5 1/4 - 5 1/8	5 1/4 - 5 3/16	5 7/16 - 5 5/16
Swiss Franc	4 1/4 - 4	4 1/4 - 4	4 1/8 - 4	4 1/16 - 3 15/16	3 13/16 - 3 11/16	3 13/16 - 3 11/16
Can. Dollar	4 1/8 - 3 13/16	4 1/4 - 4	4 1/4 - 4 1/8	4 5/8 - 4 1/2	5 1/4 - 4 15/16	5 5/8 - 5 7/16
US Dollar	3 5/16 - 3 1/16	3 5/16 - 3 1/16	3 11/16 - 3 5/16	4 - 3 7/8	4 1/4 - 4 1/8	4 3/4 - 4 5/8
Italian Lira	8 1/2 - 8	8 1/2 - 8	8 1/2 - 8	8 1/2 - 8	8 1/2 - 8	8 1/2 - 8 1/8
Yen	2 1/4 - 2 1/8	2 1/4 - 2 1/8	2 3/8 - 2 1/2	2 3/8 - 2 1/4	2 3/8 - 2 1/4	2 7/16 - 2 3/8
Asian $Sing	3 1/2 - 2 1/2	3 1/2 - 2 1/2	3 1/2 - 2 1/2	4 - 3	4 - 3	4 1/4 - 3 1/4

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.11	94.10	-0.01	94.13	94.09	15,873	88,435
Sep	94.38	94.40	+0.01	94.43	94.36	8,718	45,424
Dec	94.55	94.57	+0.01	94.60	94.53	6,805	33,508
Mar	94.60	94.65	+0.03	94.67	94.59	5,148	38,045

■ **THREE MONTH EURODOLLAR** (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.58	95.60	+0.02	95.59	95.56	90	4842
Sep	95.16	95.21	+0.04	95.19	95.15	238	2247
Dec	94.70	94.75	+0.02	94.76	94.70	51	1513
Mar	94.49	94.50	+0.01	94.49	94.49	19	721

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.49	94.51	+0.01	94.53	94.48	25828	265658
Sep	94.74	94.77	+0.02	94.79	94.73	16162	169323
Dec	94.87	94.95	+0.06	94.95	94.87	20573	150425
Mar	94.92	94.99	+0.07	95.00	94.90	11686	129970

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	91.70	91.73	+0.03	91.77	91.68	5437	58377
Sep	91.88	91.94	+0.04	91.97	91.88	3038	28862
Dec	92.07	92.09	+0.04	92.11	92.07	1801	38538
Mar	92.08	92.09	+0.04	92.10	92.08	925	3861

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.06	96.08	+0.02	96.09	96.05	4449	35191
Sep	96.16	96.16	+0.02	96.17	96.14	466	7003
Dec	96.07	96.08	+0.03	96.09	96.07	255	4881
Mar	96.00	96.00	+0.05	96.00	96.00	10	126

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.02	94.05	+0.03	94.05	94.02	378	11001
Sep	94.23	94.26	+0.03	94.26	94.23	957	10488
Dec	94.38	94.39	+0.04	94.38	94.37	176	6666
Mar	-	94.40	+0.04	-	-	0	714

* LIFFE futures traded on APT

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	95.60	95.59	-0.01	95.61	95.58	97,583	506,970
Sep	95.18	95.17	-0.01	95.19	95.16	77,093	357,329
Dec	94.72	94.73	-	94.75	94.71	48,490	261,706

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	96.00	96.00	-0.01	96.01	95.99	8,067	37,996
Sep	95.66	95.66	-	95.66	95.66	654	6,647
Dec	95.32	95.32	-	95.32	95.32	41	2,839

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
9450	0.12	0.37	0.55	0.11	0.10	0.10
9475	0.04	0.21	0.37	0.28	0.19	0.17
9500	0.02	0.11	0.24	0.51	0.34	0.29

Est. vol. total, Calls 6215 Puts 2005. Previous day's open int., Calls 198317 Puts 141984

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
9600	0.20	0.26	0.32	0.12	0.12	0.24
9625	0.06	0.14	0.19	0.23	0.23	0.36
9650	0.02	0.06	0.10	0.44	0.42	0.52

Est. vol. total, Calls 0 Puts 504. Previous day's open int., Calls 489 Puts 2550

UK INTEREST RATES

LONDON MONEY RATES

Mar 22	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5 7/16 - 3	5 1/4 - 5 1/16	5 3/16 - 5 1/16	5 3/16 - 5 1/16	5 5/16 - 5 1/16	5 7/16 - 5 5/16
Sterling CDs	-	-	5 1/8 - 5 1/16	5 1/8 - 5 1/16	5 1/8 - 5 1/16	5 5/16 - 5 3/16
Treasury Bills	-	-	4 29/32 - 4 27/32	4 7/8 - 4 13/16	-	-
Bank Bills	-	-	4 29/32 - 4 27/32	4 29/32 - 4 27/32	4 29/32 - 4 27/32	-
Local authority deps.	5 3/16 - 5 3/16	5 3/16 - 5 1/16	5 3/16 - 5 1/16	5 3/16 - 5 1/16	5 3/16 - 5 1/16	5 3/16 - 5 1/16
Discount market deps.	5 - 3 1/2	5 3/16 - 5 1/16	-	-	-	-

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¼	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 4.8056pc. ECGD fixed rate Stg. Export Finance. Make up day February 28, 1994. Agreed rate for period Mar 26, 1994 to Apr 25, 1994, Schemes II & III 6.60pc. Reference rate for period Feb 1, 1994 to Feb 28, 1994, Schemes IV & V 5.265pc. Finance House Base Rate 5½pc from Mar 1, 1994

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.84	94.85	+0.01	94.86	94.83	9314	117786
Sep	94.67	94.70	+0.03	94.72	94.67	11077	77076
Dec	94.41	94.46	+0.04	94.48	94.41	6611	105486
Mar	94.12	94.16	+0.04	94.18	94.12	1984	34716

Traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
9475	0.17	0.20	0.19	0.07	0.25	0.48
9500	0.06	0.10	0.10	0.21	0.40	0.64
9525	0.01	0.04	0.05	0.41	0.59	0.84

Est. vol. total, Calls 2310 Puts 1750. Previous day's open int., Calls 128796 Puts 125857

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Duncan Lawrie	5.25	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	5.25	Exeter Bank Limited	6.25	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6	●Smith & Williamson Secs.	5.25
●Henry Ansbacher	5.25	●Robert Fleming & Co	5.25	Standard Chartered	5.25
Bank of Baroda	5.25	Girobank	5.25	TSB	5.25
Banco Bilbao Vizcaya	5.25	●Guinness Mahon	5.25	●United Bk of Kuwait	5.25
Bank of Cyprus	5.25	Habib Bank AG Zurich	5.25	Unity Trust Bank Plc	5.25
Bank of Ireland	5.25	●Hambros Bank	5.25	Western Trust	5.25
Bank of India	5.25	Heritable & Gen Inv Bk.	5.25	Whiteaway Laidlaw	5.25
Bank of Scotland	5.25	●Hill Samuel	5.25	Yorkshire Bank	5.25
Barclays Bank	5.25	C. Hoare & Co	5.25		
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25		
●Brown Shipley	5.25	Julian Hodge Bank	5.25		
CL Bank Nederland	5.25	●Leopold Joseph & Sons	5.25		
Citibank NA	5.25	Lloyds Bank	5.25		
Clydesdale Bank	5.25	Meghraj Bank Ltd	5.25		
The Co-operative Bank	5.25	Midland Bank	5.25		
Coutts & Co	5.25	* Mount Banking	6		
Credit Lyonnais	5.25	NatWestminster	5.25		
Cyprus Popular Bank	5.25	●Rea Brothers	5.25		

● Members of British Merchant Banking & Securities Houses Association
* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

WORLD STOCK MARKETS

EUROPE

PACIFIC

NORTH AMERICA

AFRICA

TOKYO - MOST ACTIVE STOCKS: Tuesday, March 22, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Sanyo Electric	8.1m	519	-9	NEC	5.0m	1,110	
Toshiba	7.1m	790	-13	Hitachi	4.2m	969	-3
Nippon Steel	6.6m	350	-4	Nippon Carbon	3.8m	490	+4
Tokyo Theatres	6.1m	415	+5	Yamaichi Sec	3.6m	900	-13
Honshu Paper	5.1m	798	-27	Fujitsu	3.3m	1,050	-30

INDICES

	Mar 22	Mar 21	Mar 18	1993/4 High		1993/4 Low	
Argentina							
General (29/12/77)	19706.46	19131.43	20074.76	25470.40	18/2/94	12167.68	8/3/93
Australia							
All Ordinaries(1/1/80)	2140.8	2140.5	2163.5	2340.60	3/2/94	1495.00	13/1/93
All Mining(1/1/80)	1016.2	1023.6	1028.5	1136.10	3/2/94	584.70	13/1/93
Austria							
Credit Aktien(30/12/84)	444.24	445.08	446.83	480.85	2/2/94	300.26	14/1/93
Traded Index(2/1/91)	1156.35	1158.37	1163.89	1222.25	1/2/94	712.86	15/1/93
Belgium							
BEL20 (1/1/91)	1502.62	1504.35	1511.74	1542.65	9/2/94	1125.46	4/1/93
Brazil							
Bovespa (29/12/83)	(u)	12708.0	13318.0	14084.00	16/3/94	71.47	4/1/93
Canada							
Metals Minls♦(1975)	(u)	3842.06	3879.59	3879.59	18/3/94	2743.31	21/1/93
Composite♦ (1975)	(u)	4523.50	4588.60	4591.30	1/2/94	3275.80	21/1/93
Portfolio§§ (4/1/83)	(u)	2119.82	2137.47	2182.88	1/2/94	1728.87	21/1/93
Chile							
IPGA Gen (31/12/80)	(u)	4189.1	4316.7	4867.80	4/2/94	2812.58	10/5/93
Denmark							
CopenhagenSE(3/1/83)	393.27	393.51	394.31	415.79	2/2/94	281.98	4/1/93
Finland							
HEX General(28/12/90)	1840.9	1851.8	1866.0	1972.00	4/2/94	843.10	22/1/93
France							
SBF 250 (31/12/90)	1478.50	1478.99	1491.38	1585.20	2/2/94	1114.19	28/1/93
CAC 40(31/12/87)	2200.68	2202.69	2221.34	2355.93	2/2/94	1772.21	29/1/93
Germany							
FAZ Aktien(31/12/58)	823.13	815.87	823.29	855.67	4/1/94	598.92	14/1/93
Commerzbank(1/12/53)	2365.30	2333.40	2355.80	2489.00	4/1/94	1694.30	14/1/93
DAX (30/12/87)‡	2141.34	2131.28	2155.61	2267.98	3/1/94	1516.50	13/1/93
Greece							
Athens SE(31/12/80)	1070.71	1074.83	1080.91	1194.58	18/1/94	867.72	5/1/93
Hong Kong							
Hang Seng(31/7/64)	9012.17	8667.03	9132.31	12201.09	4/1/94	6437.80	4/1/93
India							
BSE Sens.(1979)	3791.7	3820.7	3801.8	4287.90	28/2/94	2180.67	23/4/93
Indonesia							
Jakarta Comp.(10/8/82)	485.47	501.20	508.88	612.80	5/1/94	273.31	5/1/93
Ireland							
ISEQ Overall(4/1/88)	1910.50	1916.65	1909.99	2082.16	20/1/94	1191.19	11/1/93
Italy							
Banca Comm Ital (1972)	664.68	665.02	674.52	688.93	18/2/94	446.33	8/1/93
MIB General (4/1/94)	1051.0	1057.0	1077.0	1102.00	18/2/94	944.06	10/1/94
Japan							
Nikkei 225 (16/5/49)	20253.53	(c)	20469.45	21148.11	13/9/93	16078.71	29/11/93
Nikkei 300 (1/10/82)	298.27	(c)	302.69	306.84	10/11/93	248.64	29/11/93
Topix (4/1/68)	1628.01	(c)	1647.24	1698.67	3/9/93	1250.06	25/1/93
2nd Section (4/1/68)	2187.91	(c)	2212.10	2384.97	7/6/93	1651.72	25/1/93
Malaysia							
KLSE Comp.(4/4/86)	967.48	954.18	1007.06	1314.46	5/1/94	814.26	13/1/93
Mexico							
IPC (Nov 1978)	(u)	(c)	2383.01	2881.17	8/2/94	1594.16	25/2/93
Netherland							
CBS TtlRtnGenlEnd 83)	426.5	430.8	432.5	454.90	31/1/94	285.70	4/1/93
CBS All Shr (End 83)	277.7	279.2	280.3	294.90	31/1/94	188.80	13/1/93
New Zealand							
Cap. 40 (1/7/86)	2206.93	2255.34	2293.16	2430.84	3/2/94	22.00	22/2/94
Norway							
Oslo SE(Ind)(2/1/83)	1162.11	1151.75	1172.31	1211.10	28/2/94	668.93	27/1/93
Philippines							
Manila Comp (2/1/85)	2583.60	2598.50†	2657.98	3308.37	4/1/94	1270.68	4/1/93
Portugal							
BTA (1977)	3160.1	3184.2	3169.3	3226.80	18/2/94	1908.20	14/1/93
Singapore							
SES All-S'pore(2/4/75)	527.31	523.38	543.84	641.81	4/1/94	394.10	13/1/93
South Africa							
JSE Gold (28/9/78)	2121.0♥	2080.0	2045.0	2331.00	4/1/94	775.00	5/1/93
JSE Indl. (28/9/78)	5064.0♥	6110.0	6140.0	6140.00	18/3/94	4333.00	19/4/93
South Korea							
KoreaCmpEx(4/1/80)**	877.95	885.65	893.07	974.26	2/2/94	605.93	6/3/93
Spain							
Madrid SE (30/12/85)	334.42	333.87	337.20	358.31	31/1/94	215.80	4/1/93
Sweden							
AffaersvarldnGen (1/2/37)	1484.30	1482.90	1500.00	1583.90	31/1/94	879.10	28/1/93
Switzerland							
Swiss Bk Ind (31/12/58)	1335.71	1323.67	1334.94	1423.34	31/1/94	894.80	11/1/93
SBC General (1/4/87)	893.24	886.35	888.45	1093.29	31/1/94	678.70	11/1/93
Taiwan							
Weighted Pr.(30/6/66)**	5261.84	5220.73	5274.81	6454.52	6/1/94	3098.43	8/1/93
Thailand							
Bangkok SET (30/4/75)	1237.12	1204.12	1246.84	1753.73	4/1/94	818.84	1/6/93
Turkey							
Istanbul Cmp.(Jan 1986)	(u)	15586.4	14920.0	20983.80	13/1/94	3955.53	1/1/93
WORLD							
MS Capital Ind (1/1/70)§	617.5*	617.9	622.5	641.80	1/2/94	488.80	13/1/93
CROSS-BORDER							
Eurotrack 100(26/10/90)	1438.48	1439.71	1445.51	1549.19	31/1/94	1063.02	13/1/93
Euro Top-100 (26/6/90)	1236.58	1233.51	1244.27	1311.81	2/2/94	862.73	13/1/93
JCapelDygns (31/12/88)	(u)	290.28	303.39	385.15	5/1/94	188.92	4/1/93
Barings Emerg.(7/1/92)	153.76	155.02	160.44	192.72	14/2/94	99.81	4/2/93

** Sat Mar 19 Taiwan Weighted Price 5194.83; Korea Comp Ex 883.99. Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3, NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Mar 22 - 2141.70 +11.15

CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Mar	2224.0	2212.0	+3.0	2233.0	2206.0	18,799	37,786
Apr	2233.5	2222.5	+3.0	2241.0	2216.0	565	8,139
May	2237.0	2226.0	+3.0	2243.0	2237.0	2	6,796

Open interest figures for previous day.

US INDICES

Dow Jones	Mar 21	Mar 18	Mar 17	1993/4 High	1993/4 Low	Since compilation High	Since compilation Low
Industrials	3864.85	3895.65	3865.14	3978.36 (31/1/94)	3241.95 (20/1/93)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	101.88	102.11	102.28	108.77 (18/10/93)	101.88 (21/3/94)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	1714.42	1732.74	1747.53	1862.29 (2/2/94)	1453.84 (4/1/93)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	205.97	206.24	207.62	256.46 (31/8/93)	205.97 (21/3/94)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3898.25 (3911.78) Low 3838.65 (3838.65) (Theoretical♦)
Day's high 3895.94 (3895.65) Low 3858.23 (3848.15) (Actual♦)

Standard and Poors	Mar 21	Mar 18	Mar 17	1993/4 High	1993/4 Low	Since compilation High	Since compilation Low
Composite ‡	468.54	471.06	470.90	482.00 (2/2/94)	429.05 (8/1/93)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	550.27	553.20	552.20	568.59 (2/2/94)	496.46 (26/4/93)	568.59 (2/2/94)	3.62 (21/6/82)
Financial	43.83	44.09	44.23	48.40 (28/9/93)	39.89 (8/1/93)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	258.91	261.35	261.11	267.71 (2/2/94)	236.21 (8/1/93)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	470.77	472.98	470.63	487.89 (2/2/94)	395.84 (8/1/93)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	797.30	803.93	803.85	803.93 (18/3/94)	645.87 (26/4/93)	803.93 (18/3/94)	54.87 (31/10/72)

RATIOS

	Mar 18	Mar 11	Mar 4	Year ago
Dow Jones Ind. Div. Yield	2.62	2.61	2.62	2.95
	Mar 16	Mar 9	Mar 2	Year ago
S & P Ind. Div. yield	2.37	2.37	2.39	2.44
S & P Ind. P/E ratio	24.58	24.53	24.34	26.62

STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	469.40	469.15	-0.25	469.90	469.05	55,701	178,253
Sep	471.90	471.25	-0.30	471.90	471.25	280	4,632
Dec	474.10	474.00	-	474.10	474.00	54	4,050

Open interest figures are for previous day.

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Telefonos	5,398,200	58¾	-1⅛
Baltimore Bo	3,348,200	19¼	+1¼
RJR Nabisco	2,803,100	6⅝	—
IBM	2,698,500	58½	+1⅜
Natl Semi	2,278,100	24⅞	+⅞
Adv Micro	2,182,900	30⅞	+1⅛
Chrysler	2,081,000	57¼	-¾
Merck	2,062,400	32	+¼
Ford Motor	2,007,500	61⅛	-⅝
Citicorp	1,985,000	38⅞	-⅛

TRADING ACTIVITY

● Volume (million)

	Mar 21	Mar 18	Mar 17
New York SE	244.981	446.361	303.883
Amex	18.862	22.904	21.105
NASDAQ	(u)	311.448	324.267
NYSE			
Issues Traded	2,778	2,781	2,764
Rises	616	1,067	1,150
Falls	1,559	1,083	1,004
Unchanged	601	631	609
New Highs	55	85	95
New Lows	113	70	45

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close March 22

1993/94 High	Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17⅞	11½	AAR	0.48	2.9	58	97	17⅛	16¾	16¾	-⅛
29⅞	12¾	A L Labs A	0.18	1.1	37	95	16⅞	16¼	16¼	-⅛
67¼	54⅜	AMP	1.68	2.7	22	987	63¾	63¼	63¼	-⅜
72¾	55½	AMR			29	2180	61½	61⅛	61⅞	-⅜
5	1¾	ARX			16	142	4⅞	4¾	4⅞	+⅛
56⅛	29⅞	ASA	2.00	4.4	29	858	45⅝	44¾	45¼	+1
30¾	22⅝	AbbotL	0.76	2.7	16	10210	28¾	28⅛	28½	+⅛
13¾	8¾	Abitibi Pr	0.50	3.7	8	101	13⅝	13⅝	13⅝	
15⅝	8¼	Acceptcelh			21	28	11½	11¼	11⅜	
36	25½	ACE Ltd	0.40	1.5	4	461	27	26¾	26⅞	+⅛
12⅝	10¾	ACM Gvt In	1.09	9.3		403	11⅞	11¾	11¾	-⅛
10⅛	8¾	ACM GvOpp	0.80	9.1		108	8¾	d8⅝	8¾	-⅛
10⅝	9¾	ACM Gvt Sp	0.96	10.1		230	9½	9⅜	9½	
12¼	10½	ACM Gvt Se	1.09	10.0		600	11	10¾	11	+⅛
12¼	9⅝	ACM Man	1.08	11.1		383	9⅞	9¾	9¾	-⅛
9⅜	8½	ACM Managd	0.72	8.5		128	8⅝	d8½	8½	
12⅞	7¾	AcmeClv	0.44	4.7	11	22	9½	9⅜	9⅜	-⅛
11⅜	6⅞	Acme Elect			33	21	7⅞	7¾	7¾	
29½	18⅞	Acordia	0.60	2.2	13	169	27⅝	27⅝	27⅝	+⅛
9¼	6⅛	Actava x	0.36	5.3	2	154	6⅞	6⅝	6¾	+⅛
16	10⅜	Acuson			97	381	12¾	12½	12⅝	-⅛
21¾	17⅞	Adams Expr	0.36	2.0	0	41	17¾	17⅝	17¾	
66¾	45½	Ad Micro	3.00	4.7		957	64	62	63¼	+⅞
32¾	16¾	AdvMic	3.00	9.6	13	17345	31¾	30¾	31¼	+⅞
9⅛	5½	Advest Grp	0.16	2.5	10	37	6½	6⅜	6½	+⅛
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1993/94 High	Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
[illegible]										
30¾	20	Bandag	1.00	4.2	24	7074	24¼	23¾	24	+⅛
32	24⅞	Bay St Gas	1.42	5.4	15	59	26½	26¼	26¼	-⅛
25	21	Bd Tr 1838	1.72	8.1		30	21¼	d20⅞	21¼	+¼
26	15	Bear Stns	0.60	2.7	5	1472	22⅛	21⅞	21⅞	-⅛
50¼	45½	BearStPfA	2.75	5.5		70	50	49¾	50	
35½	20½	Bearings	0.64	1.8	24	37	35	34⅝	34¾	+¼
29¼	19¼	Beckman In	0.40	1.4	22	751	28	27½	27⅝	+⅛

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4 pm close March 22

NYSE COMPOSITE PRICES

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Price data supplied by Telekurs

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AMEX COMPOSITE PRICES

4 pm close March 22

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NASDAQ NATIONAL MARKET

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FINANCIAL TIMES Wednesday March 23 1994

AMERICA

FOMC meeting fails to give Dow direction

Wall Street

US stocks failed to find a clear direction yesterday morning as the Federal Reserve's policy-making body began deliberations which were expected to result in higher interest rates, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was unchanged at 3,864.35, while the more broadly based Standard & Poor's 500 was 0.13 easier at 468.41.

In the secondary markets, the American SE composite inched 0.15 ahead to 470.92, but the Nasdaq composite slipped 0.15 to 796.35.

Volume on the NYSE was light, with 158m shares traded by 1 pm. Advancing issues led declines, 1,015 to 929.

Most analysts were expecting the members of the FOMC to vote for a further tightening of monetary policy.

A move to lift the Fed's target for the benchmark Fed Funds rate by 25 or 50 basis points, from the current level of 3.25 per cent, was expected sometime during the session or soon thereafter.

But the morning brought no indication of a shift to tighter money, and blue-chip stocks, in parallel with bonds, moved moderately higher in early trading. Just before midday, however, a Fed spokesman said the FOMC still had not discussed monetary policy, suggesting a Fed move was still in a possibility before the session ended. The announcement wiped 10 points off the Dow industrial index in a matter of minutes.

The downturn was short-lived and the market soon regained its balance, while failing to make further headway as the afternoon session commenced.

Among individual issues, Alcoa added $1 to $80¾ and Chevron $⅞ to $91¾.

But Merck dropped $1½ to $30⅝ on reports that its cholesterol-reducing drug would soon face competition from a cheaper product from Sandoz. Bristol-Myers Squibb, down $1⅛ to $53⅛, was also hit hard by the news.

One of the stars of the session was Micron Technology, $2⅝ ahead at $95⅛.

On the Nasdaq, investors showed a lack of confidence in Novell's decision to mount a challenge to Microsoft's dominance of the market for personal computer software. The stock slumped $3⅞ to $20⅝ a day after the company announced plans to buy WordPerfect and Borland's spreadsheet business. Microsoft, meanwhile, appreciated $1⅞ to $84⅞.

Mexico

Equities soared after government peace envoy Mr Manuel Camacho Solis said that he would not stand for the Mexican presidency.

The IPC index of 36 leading shares rose 23.98 or 1 per cent, to 2,406.99 in reaction to the statement.

Telmex recovered from an early loss of more than 1 per cent to gain almost 2 per cent.

Canada

Toronto was mixed at midday after the US Federal Reserve failed to indicate any change in its short-term interest rate policy and the domestic market market remained hesitant ahead of an expected sharp rise in the Bank of Canada's key rate. The TSE 300 composite index edged up 2.3 to 4,525.80 at midday.

EUROPE

Bourses steady, awaiting US rate news

European equity markets marked time yesterday, awaiting interest rate clues from the FOMC in Washington. In the event, the news from the policy-setting committee was that the meeting was still reviewing current economic conditions and had not yet discussed the direction it wants to set for interest rates over the next eight-week period.

Mr Albert Edwards at Kleinwort Benson commented that the bond market would take inaction badly: he thought it that there would probably be a half percentage point rise in the discount rate by Monday.

FRANKFURT consolidated its position with a day's gain in the Dax index of 10.06 to 2,141.34, but off from the session high of 2,155.31.

Traders said that a weakening in the futures market contributed to the easing.

Turnover was modest at DM7.6bn.

The banking sector attracted attention with further results due out in the next couple of weeks. James Capel, in a research note issued on Monday, noted that its forecasts for 1994-95 had been shaded down for two main reasons. It said: "We have probably been too optimistic for the pace of recovery in terms of lending growth and falling bad debts." The note added: "This years trading profits have been adversely affected by the markets' reaction to the trend reversal in US interest rates".

Bayerishe Hypo, which pleased the market with results yesterday, added DM1.50 to DM469, while Bayerishe Vereinsbank, results due later this week, gained DM2 to DM491. Volkswagen, up DM3.50 at DM490.50, strengthened on hopes of good 1993 figures due tomorrow.

ZURICH finished higher as domestic institutional buyers returned at current lower prices but the day's best levels were not maintained. The SMI index rose 20.4 to 2,824.7, after a high of 2,843.3.

Ciba registered rose SFr40 to SFr855: the company has filed an application with the US Food and Drug Administration to produce a rival to Glaxo's Zantac anti-ulcer drug. Nestlé, with results due this week put on SFr21 to SFr1,241.

Sandoz, with results scheduled for tomorrow, rose SFr50 to SFr3,920 amid suggestions that the introduction of its Lescol cholesterol drug could spark a price war in the US.

Georg Fischer rose SFr50 to SFr1,310: the mechanical engineering group said it expected to break even in this year after a 1993 loss of SFr34m.

Holderbank rose SFr3 to SFr963 in response to its 12.3 per cent rise in 1993 net profit.

PARIS fell back from its session high in a volatile session, the CAC-40 index finally closing down 2.01 at 2,200.68. The index moved between a high of 2,222.52 and a low of 2,196.12.

BNP, which the government said would have its stake in UAP cut from 19 per cent to 15 per cent as part of the insurers privatisation, lost FFr2.70 to FFr251.80. UAP was unchanged at FFr189.90.

AMSTERDAM drifted down, with the AEX index losing 1.91 to 414.33. Pakhoed, the storage and transport group, which repeated its forecast that 1994 earnings per share were set to rise, lost Fl 1.50 to Fl 53.80.

In a separate development PTT, the Dutch post and telephone utility, announced that its first tranche of shares could be floated on June 7.

MILAN was steady, helped by the positive early tone in other European markets and having found technical support at Monday's lower levels. The Comit index edged 0.34 lower to 664.66 as election uncertainties remained at the centre of attention.

Industrials led the way. Fiat rose L61 to L4,999, Pirelli L58 to L2,431 and Montedison L43 to L1,238. Olivetti put on L65 to L2,593 as hopes remained high for a swift decision on Italy's second mobile telephone licence.

ISTANBUL fell 4.8 per cent, wiping out Monday's gains, in uncertain trade ahead of Monday's local elections. The composite index lost 747.76 to 14,838. The elections are viewed as a key test of whether Prime Minister Tansu Çiller's coalition government can be trusted to tackle the looming economic crisis.

Analysts agree that the election will be followed by sharp price rises as the government relaxes restraints on loss making state run companies, but observers are divided on what effect the polls will have on financial markets, hit by a plunging lira and soaring interest rates.

Written and edited by John Pitt and Michael Morgan

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

Mar 22 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1443.06	1443.77	1443.81	1442.50	1441.58	1441.48	1441.13	1438.48
FT-SE Eurotrack 200	1484.35	1484.58	1484.85	1483.83	1481.29	1482.17	1481.13	1477.51

	Mar 21	Mar 18	Mar 17	Mar 16	Mar 15
FT-SE Eurotrack 100	1438.71	1445.51	1461.88	1466.28	1469.35
FT-SE Eurotrack 200	1478.54	1485.48	1503.36	1504.22	1513.24

Base value 1000 (26/10/90); High/day: 100 - 1444.17; 200 - 1485.78 Low/day: 100 - 1438.23 200 - 1477.51.

Swedish bull run may be coming to an end

Emphasis will be on corporate earnings in 1994, writes **Christopher Brown-Humes**

A bull run dating from late 1992 may finally be coming to an end for Swedish equities.

Long-term interest rates are heading upwards, thanks to turbulence in international markets and worries about higher US interest rates, At the same time a stream of rights issues is soaking up liquidity. The two trends have combined to bring the most unsettled market conditions for nearly 18 months.

Shares have generally fallen in recent days, but even so the Affärsvärlden index remains up some 4 per cent since the beginning of the year.

The turbulence may just be temporary: Goldman Sachs in London, for example, anticipates a 20 per cent rise in the market over the next 12 months.

To some extent, the bourse has been a victim of its own success.

What began as a trickle of companies seeking new equity from their shareholders has turned into a flood. The government is also making heavy demands on the market with its privatisation programme, the most recent being its SKr8bn ($1bn) sell-off of a 49 per cent stake in forestry group AssiDomän. Some observers are suggesting that the state's planned late spring disposal of its stake in Pharmacia – for an estimated SKr14bn-16bn – should be delayed.

Skandia, the insurance group, and Avesta Sheffield, the stainless steel producer, are the latest big companies to announce rights issues. According to one estimate, rights issues and privatisations may soak up as much as SKr50bn this year, equal to some 3.4 per cent of GDP, and dwarfing the SKr27bn raised in 1993.

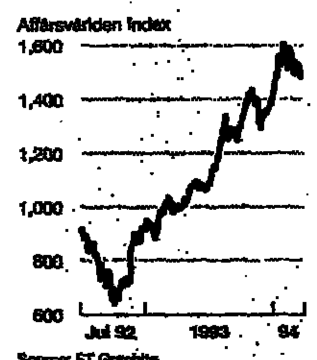
The demand is huge, but supply from both foreign and domestic sources remains healthy. Last year foreigners bought a net SKr30.8bn of Swedish shares, taking their ownership of the stock market to nearly 25 per cent. There has been no sign of a let up in 1994, with a further SKr3.95bn of net purchases by foreigners in January.

Mr Bjorn Karlin, chief executive of the Swedish Association for Share Promotion, expects overseas institutions to make SKr30bn of net purchases in 1994 simply because many are still adjusting their portfolio weightings after Sweden relaxed restrictions on foreign share ownership in January 1993.

He also expects a big inflow of funds from domestic institutions and households because of higher personal savings, new individual pension schemes, and changed tax treatment for dividends and capital gains.

Most analysts are agreed that the fundamentals will remain strong in 1994. However, the driving factor this year will be corporate earnings, rather than lower interest rates, even though the trend for the latter is expected to be downward.

Sweden



Source: FT Graphite

Corporate results for 1993 generally met or exceeded expectations, and further gains are anticipated this year as companies benefit from the three hard years of cost-cutting and a generally weak currency.

The general economic picture is also much more encouraging, with positive GDP growth expected in 1994 for the first year since 1990.

The recovery was triggered by strong growth in exports, following a 20 per cent depreciation in the krona last year, but is now spreading to the domestic economy.

The improved economic outlook has brought a strengthening of the krona since the beginning of the year. This will be positive for foreign interest in the market, according to Mr Christian Diebitsch, Swedish analyst with Kleinwort Benson in London.

"I don't think we will see the market rise another 54 per cent rise in local currencies, like last year, but a strong krona is certainly positive from a foreign perspective," he states.

On the negative side, Sweden's huge budget deficit – one of the highest in the OECD – and an unemployment rate of around 14 per cent will continue to cause concern about the state of the country's finances.

Uncertainty will also increase as the year progresses, with both a general election and a referendum on entry into the European Union due before the end of the year. A "no" vote in the EU referendum, in particular, would damage confidence.

These factors aside, there is the market's vulnerability to developments in the international arena: a vulnerability which has been enhanced by the increased levels of foreign ownership.

ASIA PACIFIC

Lower bonds hit Tokyo as Hong Kong rebounds 4%

Tokyo

A sharp sell off in the bond market prompted by concerns over rising tensions in the Korean peninsula and higher US interest rates affected investor confidence, and the Nikkei index closed lower amid low volumes, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 average declined 215.92, or 1.1 per cent, to 20,253.53 after a high of 20,458.55 and a low of 20,202.42. Falls in the futures market prompted arbitrage selling, while small lot profit-taking also depressed share prices.

Volume was 360m shares as investors refrained from activity ahead of last trading day for March settlements on Friday. Buying by foreign investors also declined from previous weeks.

The Topix index of all first section stocks fell 19.23 to 1,628.01 while the Nikkei 300 declined 3.42 to 299.27. Losers led gainers by 826 to 247, with 111 issues remaining unchanged.

In London, the ISE/Nikkei 50 index rose 0.67 to 1,344.28.

North Korea's rejection of full international inspection of its nuclear facilities and the subsequent decisions by the US to deploy missiles in Seoul fueled fears of growing tensions in the Korean peninsula. Such uncertainty coupled with speculation of a further rise in US interest rates hurt the bond market, which in turn dampened the share prices.

Mr Jason James, a strategist at James Capel, said that Japanese institutions may choose to invest in the bond market if long term interest rates rise further. He expects volatility on the bond market to affect share prices on the short term and sees the Nikkei index closing this business year between 19,500 and 20,000.

Interest rate sensitive shares lost ground in anticipation of higher long term interest rates. Nippon Steel fell Y4 to Y350 and Tokyo Electric Power by Y80 to Y3,290.

Banks were lower on profit-taking with Industrial Bank of Japan down Y100 to Y3,210 and Sumitomo Bank off Y30 to Y2,170.

Bakery and flour mill stocks were once again sought by speculators due to the continued rice shortage. Retailers are reporting a rise in sales of bread and noodles and Yamazaki Baking rose Y30 to Y2,100 and Nitto Flour Milling gained Y20 to Y550.

In Osaka, the OSE average fell 196.17 to 22,349.87 in volume of 92.2m shares. Aoki International, a retailer of office workers' uniform blue suits, plunged Y240 to Y3,300.

Roundup

Regional markets adopted sharply divergent routes.

HONG KONG rebounded, the Hang Seng index gaining 4 per cent to finish above 9,000 as bargain hunters sent prices up after the recent losses, and with a rise in US rates already discounted.

The index jumped 345.14 to end a volatile day at 9,012.17, having swung from a low of 8,533 to a high of 9,150 as Japanese funds were seen returning as buyers.

Preliminary turnover was a healthy HK$6.34bn against Monday's HK$6.52bn.

The turnaround came as Mr Stuart Cook of Morgan Grenfell Asia Securities said that the Hang Seng was unlikely to hit its January 4 high of 12,599 again this year, but it could rebound to 10,000-12,000 by the end of the year.

He said that the market was still attractive with strong corporate earnings anticipated. Interest rates would remain low, and it was unlikely that property prices would crash in the next 12 months.

However, Morgan Stanley has reiterated its view that the index could touch or pass the 7,000 level as a result of bloated property prices, the Deng succession and MFN status for China. "At the 7,000 level we would recommend buying stocks heavily. The long term story on China is still intact and as attractive as ever."

KUALA LUMPUR picked up 1.4 per cent after recent sell-offs as bargain hunting lifted the composite index 13.30 to 967.48. The index hit a low of 936.80 in early trade after falling 92.30 points over the previous three trading days.

SINGAPORE was firmer in a technical rebound after Monday's sharp falls and the Straits Times Industrials index rose 8.74 to 2,045.04 after hitting an intra-day low of 1,990.37.

AUSTRALIA saw late bargain hunting pick shares up from their lows, leaving the All Ordinaries index to finish 0.3 firmer at 2,140.8, having been 14.7 points down at one stage.

SEOUL closed easier in weak trading as mild selective buying centred on some blue chips was wiped out by selling pressure caused by growing tension over North Korea's nuclear row. The composite index eased 7.70 to 877.95.

NEW ZEALAND was unnerved by weakness elsewhere and the NZSE-40 capital index fell 48.41 or 2.2 per cent to 2,206.93 in moderate turnover of NZ$44m.

MANILA recouped some of its sharp early losses after Hong Kong's rebound and the composite index finished 34.97 or 1.3 lower at 2,563.60, after a low of 2,503.

BOMBAY was lower in nervous trade triggered by the Bombay Stock Exchange declaring a local stock broker defaulter.

The BSE 30-share index closed 28.95 lower at 3,791.78.

COLOMBO was lower again prompting speculation that the correction which began on March 1 would continue at least until after tomorrow's southern provincial council election. The all-share index fell 10.01 to 1,256.48.

SOUTH AFRICA

Gold posted gains as the sector remained buoyed by a strong bullion performance. But industrials were lower amid a lack of foreign interest. The gold index lost 41 at 2,121, industrials shed 43 to 6,067 and the overall rose 1 to 5,231.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY MARCH 21 1994 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY MARCH 18 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1993/94 High	1993/94 Low	Year ago (approx)
Australia (69)	171.68	-1.6	171.46	115.35	151.55	161.07	-1.1	3.36	174.45	173.73	116.93	153.83	162.88	189.15	130.19	141.01
Austria (17)	168.11	-0.9	167.87	126.39	166.04	166.23	-0.7	0.93	189.79	189.00	127.21	167.35	167.40	195.41	139.63	146.87
Belgium (42)	168.38	-0.5	168.17	113.13	148.63	145.15	-0.5	3.86	169.28	168.58	113.46	149.26	145.89	171.69	141.92	148.76
Canada (107)	138.06	-0.5	137.90	92.77	121.88	138.39	-0.8	2.46	138.79	138.21	93.02	122.38	137.55	145.31	121.46	124.83
Denmark (32)	263.71	-0.5	263.37	177.18	232.77	238.62	-0.4	0.98	265.06	263.96	177.67	233.73	239.69	275.79	195.66	200.54
Finland (22)	145.77	-1.4	145.58	97.94	128.67	170.72	-0.7	0.65	147.89	147.27	99.12	130.40	171.88	156.72	73.12	74.73
France (99)	176.18	-1.0	175.95	118.37	155.51	159.91	-0.9	2.89	178.01	177.27	119.31	156.96	161.33	185.37	149.60	157.03
Germany (59)	135.02	-1.0	134.85	90.72	119.18	119.18	-0.9	1.74	136.41	135.85	91.43	120.28	120.28	142.38	107.59	114.44
Hong Kong (58)	355.47	-4.9	355.02	238.84	313.78	352.71	-4.9	3.00	373.80	372.25	250.56	329.61	370.93	508.56	242.57	243.81
Ireland (14)	190.73	0.1	190.48	128.15	168.36	188.21	0.2	3.17	190.60	189.81	127.75	168.07	187.81	209.33	148.15	153.77
Italy (69)	74.79	-1.4	74.70	50.25	66.02	93.70	-1.4	1.80	75.85	75.53	50.84	66.88	95.05	78.93	56.21	58.31
Japan (469)	155.14	-0.2	154.94	104.23	136.94	104.23	0.0	0.78	155.51	154.87	104.23	137.13	104.23	165.91	119.90	122.00
Malaysia (69)	445.26	-5.6	444.69	299.16	393.04	466.70	-5.5	1.63	471.49	469.54	316.03	415.75	494.00	621.68	278.49	278.41
Mexico (18)	2057.91	-0.9	2055.26	1382.65	1816.49	7470.06	-0.6	0.67	2075.85	2067.24	1391.35	1830.36	7512.45	2647.06	1431.17	1546.73
Netherland (26)	198.42	-0.5	198.17	133.32	175.15	172.87	-0.4	3.18	199.38	198.56	133.64	175.81	173.54	207.43	163.30	167.38
New Zealand (14)	69.97	-2.4	69.88	47.01	61.77	65.25	-1.9	3.57	71.69	71.40	48.05	63.22	66.48	77.59	45.45	47.03
Norway (23)	197.46	-2.2	197.20	132.67	174.29	197.39	-2.1	1.68	201.83	200.99	135.28	177.96	201.54	206.42	150.61	155.06
Singapore (45)	294.66	-4.3	294.28	197.98	260.10	215.36	-4.2	1.82	308.02	306.75	206.46	271.61	224.84	378.92	217.80	220.66
South Africa (60)	266.50	-0.5	266.16	179.06	235.24	267.07	-0.1	2.30	267.78	266.67	179.48	236.12	267.48	280.26	161.99	171.12
Spain (42)	144.51	-0.9	144.32	97.09	127.56	152.20	-1.1	3.80	145.86	145.26	97.76	128.61	153.93	155.79	116.33	127.31
Sweden (36)	215.40	-1.0	215.12	144.72	190.13	251.60	-0.8	1.51	217.62	216.72	145.86	191.89	253.77	230.02	154.79	161.37
Switzerland (49)	159.09	-1.0	158.88	106.89	140.42	141.78	-1.3	1.59	160.74	160.08	107.74	141.74	143.60	176.56	112.84	116.14
United Kingdom (215)	195.20	-0.8	194.94	131.15	172.30	194.94	-0.8	3.76	196.87	196.06	131.96	173.60	196.06	214.96	170.01	174.67
USA (519)	190.77	-0.5	190.52	128.17	168.39	190.77	-0.5	2.77	191.76	190.96	128.53	169.08	191.76	196.04	178.91	183.64
EUROPE (745)	167.42	-0.9	167.20	112.48	147.78	160.25	-0.8	2.86	168.97	168.27	113.25	148.99	161.52	178.58	139.56	142.50
Nordic (113)	208.64	-1.0	208.37	140.18	184.16	213.18	-0.8	1.30	210.84	209.97	141.32	185.91	214.96	220.60	145.65	150.69
Pacific Basin (722)	162.57	-0.8	162.37	109.23	143.51	113.61	-0.5	1.07	163.84	163.16	109.81	144.47	114.22	168.80	124.56	126.52
Euro-Pacific (1467)	164.44	-0.8	164.22	110.48	145.15	131.96	-0.6	1.83	165.82	165.13	111.14	146.21	132.81	170.76	130.91	132.94
North America (626)	187.49	-0.5	187.25	125.97	165.50	186.99	-0.5	2.76	188.46	187.68	126.32	166.18	187.98	192.73	173.70	180.00
Europe Ex. UK (530)	148.96	-1.0	148.77	100.08	131.48	139.38	-0.9	2.31	150.40	149.78	100.81	132.62	140.65	155.73	120.47	122.72
Pacific Ex. Japan (253)	236.29	-3.8	235.99	158.76	208.58	217.34	-3.7	2.81	245.72	244.71	164.70	216.67	225.59	296.21	169.48	170.96
World Ex. US (1652)	165.94	-0.8	165.72	111.49	146.47	135.29	-0.6	1.84	167.31	166.61	112.14	147.52	136.16	172.51	132.02	133.93
World Ex. UK (1956)	171.05	-0.7	170.83	114.92	150.98	148.46	-0.6	2.01	172.24	171.53	115.45	151.88	149.35	175.58	145.88	147.29
World Ex. So. Af. (2111)	172.62	-0.7	172.40	115.98	152.37	151.72	-0.6	2.18	173.86	173.14	116.53	153.30	152.63	178.56	148.09	149.65
World Ex. Japan (1702)	184.74	-0.9	184.50	124.12	163.06	180.70	-0.8	2.77	186.42	185.65	124.95	164.38	182.23	185.20	164.42	165.84
The World Index (2171)	173.18	-0.7	172.96	116.36	152.87	152.61	-0.6	2.16	174.42	173.70	116.91	153.79	153.53	178.97	148.14	149.68

Latest prices were unavailable for this edition. Japanese market closed March 21.